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The Lobby's Reign of Terror

By Representative Royal Johnson

What's Happening to Mortgages

By Morris Edwards

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NATION'S BUSINESS

March • 1933

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The Lobby's Reign of Terror

By ROYAL C. JOHNSON Representative from South Dakota

Cartoons by Edmund Duffy

"GET the Congressman" is the new slogan of the organized groups working for special privilege legislation. This policy carries a real threat to democracy, says Mr. Johnson

★ WHEN I was serving my first term in Congress in 1915, one of the matters before the House was a bill dealing with trade-marked proprietary articles. One day a man came to my office. He said he represented the National Association of Retail Drug-gists. He spent some time with me explaining what the provisions of the bill would mean to the Association, the manufacturer, and the consumer. He urged me to vote for this measure because it would be of public benefit.

The man was a lobbyist. His testimony was undoubtedly biased, but, by the use of the facts and references he gave me, I was able to follow the hearings on the measure with understanding, and, had the measure come to a vote, should have been able to exercise an informed judgment.

Seventeen years later, in 1932, just before my voluntary retirement from the House, another bill, affecting the entire public, and particularly the taxpayer, was coming up for consideration. Again a man came to my office.

"Mr. Johnson," he said, "I represent a certain organization. We are sponsoring a certain proposed law. If you do not vote for it, we will go into your district and do everything we can to defeat you."

Those two incidents exemplify the great change that has come over lobbying in the 18 years in which, as a Congressman, I have had an opportunity to observe the workings of the groups—idealistic, communistic, racketeering, fraternal, crank and mercenary—which have attempted to change the course or effect of national legislation.



I expect the horse sense of the American people to prevent complete minority domination



BACK HOME



During those years lobbying has developed from individual effort to mass propaganda, and from legislative education to congressional intimidation.

How much of this is due to the World War, with its governmental background of propaganda and education in its use, or to what degree increased transportation and communication facilities are responsible, it is difficult to say. Whatever may be the cause, there can be no question that organized minorities are

spending more money in politics, and spending it more scientifically and effectively than ever before.

Before the World War, or rather before 1915, when the Allies and the Central Powers began to spend untold millions in the United States to influence public opinion, the slogan of the individual or small group that desired to influence legislation was "Get the Legislation."

The slogan of minority groups today with the new idea of political intimidation is "Get the Congressman."

The fact that, since 1914, some 1,800 Senators and Representatives have come and gone indicates the efficiency with which they carry out this idea. Of the 531 Senators and Representatives who sat in Congress in 1914, only nine Senators and 16 Representatives still remain. (A few men who were in the House in 1914 are now in the Senate.) Of

this tremendous turnover, those of us who have been in Congress can name member after member of both Houses who has been "gotten" by well organized minorities because they would not support certain "special privilege" legislation. The wonder is that so many members of both Houses still refuse to be intimidated.

It's the method that harms

I SHALL not attempt in this article to discuss the merits of any cause or any legislation. Neither does the mention of any organization, group, lodge, business or nation involve any opinion as to its righteousness, patriotism or right as a minority group to maintain a lobby in Washington to force Congress to legislate as it desires; to maintain its branches, lodges, camps, affiliates, newspapers, radio stations, or to issue bulletins, news releases, and clip sheets. In fact I am a member of some of the organizations to which I shall refer.

Neither is this article a diatribe against mass education or propaganda, nor against representation in legislative matters, both nationally and in the state legislatures. Because the procedure of our legislative bodies is so intricate and based largely on precedent, and because the interests which must be considered by Congress are so many, the average citizen must either appear personally in his own behalf or be represented adequately in any important matter.

This whole discussion is based on a desire to determine, if possible, the ultimate effect of minority or group control through propaganda and mass education, or by congressional intimidation, upon legislation—and finally therefore upon the American democracy.

Propaganda may be divided into three main classes—the idealistic, the racketeering and the mercenary.

The idealistic lobby is formed and conducted by individuals who sincerely believe in some form of social legislation, or that their class, by reason of some particular service to the Government, is entitled to certain preferences.

The racketeering lobby is formed by some smart individual who persuades some industry or class that it will be injured or benefited by certain legislation. He collects a fund from the industry or class to defeat or pass it. The manager of such a lobby does little but write letters and collect money from his dupes.

The mercenary lobby is originated and engineered by a group or class who desire direct or indirect favors or appropriations from the Government.

Some lobbies are a combination of all three types.

So long as any idealistic group educates the people on the merits of legislation, it cannot injure the Government. The moment, however, it adopts strong arm or blackjack tactics, it does injure the Government, because, at that moment, it tries to make the choice of a Senator or Representative dependent on his attitude upon its particular pet theory or appropriation and ignores every other economic and social public question. The new theory of lobbying is exactly that theory. In other words, each of these groups says, in effect, to members of Congress:

"Do as we tell you to do or we will defeat you."

That attitude is the logical result of control by an organized minority.

It must be admitted that most of the men and women who compose these lobbies or minorities believe in the righteousness of their own cause. That can best be shown by the fact that nearly everyone of them organizes under the name of the "American This," the "National That," or a "United States Something."

To appreciate thoroughly that self-certain attitude or rectitude, one need only consult a Washington City telephone directory and see the listings under the names, "American," "National," and "United States."

If a group is not organized under one of these names, then religion, patriotism or the home will be stressed.

Given a large membership in the United States, a skillful lobby in Washington, a constitution, by-laws, preamble or whatnot, assuring the world that the organization is for God, Home, Patriotism, Country or Sobriety, the representatives of any organization are equipped to start for Capitol Hill with smiles on their faces, but with political guns and congressional poison in their pockets.

Those men who present the congressional or governmental demands of their organizations do not always believe in them, because they have little part in their creation. The demands usually are the result of an enthusiastic convention held probably two thousand miles from Washington, controlled by individuals who have no conception of the economics of government and no regard for the rights of other minority groups, who are just as honest, just as enthusiastic, and just as vicious in their legislative demands.

Yet let no one overlook their political potency. Any member of Congress who finds arrayed against him politically five major groups of organized minorities may as well not continue in politics. If he does, he must be prepared to meet class and group propaganda in every city, town and township in his state or district.

Again, emphasizing that I am not arguing for or against any legislation, I shall discuss a few specific groups which are active in legislative matters—no more active than other groups would be if they were sufficiently powerful—groups I consider fundamentally honest in purpose.

The Anti-Saloon League is an idealistic group which was formed to promote temperance and eliminate the saloon. So long as it devoted its time and attention to mass education, it was successful.

Under the leadership of Wayne B. Wheeler, it was gradually eliminating the liquor traffic. Had Mr. Wheeler's leadership always been followed, it is my judgment that present conditions would not exist and that there would have been a gradual change from the saloon to some form of liquor control which would have eliminated the saloon, and, by the natural progress of education, have resulted in temperance. The trend and tendency of our social and business life was in that direction.

Success brought failure

WHEN the Anti-Saloon League, however, by effective propaganda, enforced the dictum that the sole qualification for a member of Congress was his willingness to vote according to the dictates of that organization, its following decreased, and it brought upon itself the active opposition of citizens who do not believe that the solution of the liquor question is the sole social and economic problem of the United States. By its own action the League made an issue in every congressional district, not of the desires of a Representative's constituents, but of his subservience to the League's decrees. By means of a small, compact, thoroughly organized minority, a strong Washington lobby, and an organized subsidiary in every state, the League controlled congressional elections. But it forgot its educational work. As a result, the temperance education of 30,000,000 voters who have come of age since the World War must be done all over again.

Nothing could be more striking in this economic discussion—because it is nothing else—than the change in the attitude of the Anti-Saloon League, on one hand, and the National Manufacturing and Dealers' Association and the Brewers' Association, on the other.

When I first entered politics, the W.C.T.U. and the Anti-Saloon League believed in education, in the schools, in the churches, in the home and on the streets. Their weapons were facts and arguments—not intimidation. They were successful.

On the other hand, at that time, a few liquor groups were those who intimidated. They had the saloon on every corner, and woe to the politician who did not keep on friendly

terms with them. No political blackjack was too heavy to drop on the political head of the man who opposed them.

Under the leadership of Levi Cook, an eminent lawyer and a fine citizen who believed sincerely that a regulated liquor traffic was the only solution of the liquor question, big stick methods were dropped and a campaign of education and argument begun. Its success is now apparent, although the exact statutes that will be enforced are a matter of speculation.

Other conflicting groups, composed of men, most of whom have seen American military service, are The American Legion, the National Economy League, the National Committee against Prepayment of the Bonus, and the National Organization to Reduce Public Expenditures. They are clashing violently on veterans' legislation. Some members of all those organizations hold very extreme views, and many men who belong to all of them cannot agree entirely with the professed objective of any one of the groups.

Each of them, professedly, is for the United States Government, its interests and its perpetuity. It is not their beliefs, however, that I am discussing. It is the methods used to obtain a legislative objective.

The American Legion is "For God and Country"; it was organized to "uphold and defend the Constitution . . . to combat the autocracy of both the classes and the masses; to make right the master of might . . . to safeguard and transmit to posterity the principles of justice, freedom, and democracy."

Organized to get its own laws

ITS leadership, however, at present is insisting on the complete adoption by Congress of every legislative resolution proposed, not by the people of the United States, but by the Legion itself.

Whether or not the following could be intimidation, rather than education of the people to the justice of a cause, I shall not presume to say, but a recent American Legion news sheet, containing instructions to its officers and members—which I did not obtain from Legion sources—reads as follows:

Now, as to our reasonable opponents, they are citizens who are friendly at heart toward the Legion but disapprove of one or more of our resolutions or who might be friendly if their disapproval had not turned to bitterness. The friendly give the Legion full credit for intelligence and loyalty and for the steady influence we have wielded on many issues. They should be treated kindly and our course with them should be to try to show them the light. *The unfriendly should be treated well but with extreme firmness. All the while we should keep our eyes open for the enemies who take advantage of the situation to push their purposes.*

Most of our opponents are well organized and their organizations powerfully financed. *We should expose those whose opposition appears to us to be in poor grace.* Whenever a newspaper in your state publishes any of their material, the proper Legion officer should try to get our side into that newspaper's columns. If that paper won't print it, try its rival. Legionnaires subscribing to that paper should protest at any unfairness and urge presentation of our material, preferably in person, to the editor,

and by letter at least. When an opponent addresses a group try to follow him with a Legion speaker and strive to get not as much but more publicity than he obtained.

The italics are mine.

Carried to its logical conclusion, the membership of Congress from this time on, if the Legion should be successful, would be based solely on the candidates' attitude towards the program adopted by a minority group of a million men.

One of the most effective lobbies in many parts of the United States is that conducted by Union Labor. Again, this is no discussion of the merits of the resolutions adopted by the American Federation of Labor, or any of its branches. It is apparent, however, that Union Labor has determined to elect or defeat members of the House or Senate solely on the issue of their votes on labor legislation. One branch of Labor publishes in Washington a paper called *Labor*. It is well written. Its cartoonists and writers are men of ability. Whenever that certain branch of Union Labor desires to defeat a candidate for office, it pulls the front page of *Labor* and floods

the district of the candidate it opposes with thousands of copies of well-written articles attacking him. Usually it does not attack him because of his opposition to Labor, but attempts to show that he is unfriendly to the veterans, the farmers, the stock raisers, or whatever class happens to compose the electorate which it desires to influence.

If the apparent objective of Union Labor could be obtained, no one could be a Congressman except those who took as their creed the demands of the American Federation of Labor. This would be complete organized minority domination.

Practically every other organized minority in the United States has attempted to emulate the methods of these well-organized groups, and each of the groups mentioned has caused the defeat of some men and the election of others in close states or districts. None has gained complete domination because, as yet, due to conflicting interests, they have not been united in effort.

Organizations to combat minorities

IF THESE special groups can force through Congress legislation for their special benefit or defeat candidates who oppose it, it seems inevitable that another group will spring up, composed of citizens who desire no special preference or appropriations whose purpose will be to defend legislators who retain their independence. Several organizations with that professed purpose have been formed, and it seems probable that further pressure of organized minorities will make certain their further growth and ultimate consolidation.

So far as I have been able to discover, this new formation of organizations to combat organized minorities is a recent development. At least, until the past year, I have known of no organization that would give even a pleasant word to a legislator who refused to vote for special or discriminatory legislation.

If the present excessive cost of government is to be re-



The slogan of minority groups with the new idea of intimidation is "Get the Congressman"

duced, those citizens who do not want special privileges or appropriations must organize politically.

Either that, or some strong power, perhaps a chief executive, must change legislative intimidation back to mass education.

Personally I cannot believe we will ever have minority domination, because of the common sense of the American people.

I have never doubted the loyalty of the most skillful leaders of organized minorities. It would not be fitting to discuss those who are living, but I could say that if the real safety of the country were at stake, and if they were living, the chief executive could call into conference Samuel Gompers, of the American Federation of Labor, Wayne B. Wheeler, of the Anti-Saloon League, and Levi Cook, of the Brewers Association, and obtain cooperation, advice, and assistance that would far transcend the selfish desires of any organized minority.

If this depression should continue and the national income should continue to drop, and if, because of the pressure of

minority groups, appropriations cannot be decreased, I should not be surprised to see the chief executive *dictate* or appeal directly to those groups demanding preferences or appropriations, and to see representatives of every organization I have mentioned and a great many others, including the U. S. Chamber of Commerce, which is doing constructive thinking along governmental lines, working shoulder to shoulder to meet this national emergency.

The country must come first

THE members of all of these organizations are fundamentally loyal Americans. They must eventually realize that the new tendency of obtaining everything from the Government for their own particular group by legislative intimidation will finally destroy democracy as we in the United States have always known it, or that democracy will survive by uniting in some organization the great majority of citizens who will not tolerate governmental control by organized minorities with their legislative intimidation.

A Letter from Sir Henri Deterding



HAVING started business life with a bank, and having been a bank manager in the East for about six years before I went into the oil business, and having now been for more than half a century successful in any business I have undertaken, I think I am entitled to call for a public hearing as to my views on the present world financial and commercial catastrophe.

There is one thing which I have learned to appreciate more in this long business life than anything else:

All solutions are simple; the complicated ones belong to politicians, "would-be economists," and the like, and are no solutions but merely lead further into the mire.

First of all there never was, and there never need be, an overproduction crisis.

As in so many other "complicated" matters, humbugs got a reputation by starting at the wrong end. What is called overproduction is always an underconsumption crisis.

There are millions of good people who would like to work in order to have automobiles, radios, better homes and, last but not least, enough to eat.

Put these millions in the position to consume, and the crisis is solved.

It is not such a great question whether, say one-third of the population of the United States—some 40,000,000 people—can be made to consume more, but whether you can make the:

160,000,000 people in Russia



H. W. A. DETERDING, director general of the Royal Dutch Petroleum Company and director of the Shell Transport and Trading Company, Ltd., is perhaps the dominating figure in the oil industry today. Under his guidance his company has grown in 30 years from a small concern producing cheap oil in Borneo to a position of world-wide power and importance.

In much of his business life, his attention has been directed toward China and the Far East. For that reason the opinions which he gives in this letter to the Editor of NATION'S BUSINESS deserve careful consideration

500,000,000 people in China

300,000,000 people in India

960,000,000 people in all, who are starving (which ought to call for urgent and immediate attention) consume more. An increased purchasing power of 10 cents a day amongst these 960,000,000 is of more value than one dollar a day among 40,000,000. How long will it be till this simple arithmetic will be grasped? It is too simple for "high-class" economists who love to gas about the ideal "King Midas" standard!

Why was silver—the only purchasing coin of a milliard people (Americans say wrongly a billion)—artificially put down from 75 to 25 cents? It was done by the dishonest method of making coins look like silver, issuing them as full-value silver coins, but putting into

them only 50 per cent of silver, thus making a dishonest and artificial underdemand for silver.

Still, 18,000,000 ounces of silver are yearly consumed in the photo-chemical industry; no gold is lost in this way; dentists buy back old golden dentures!

The available free silver for coinage (and ornaments) is now nine to one as compared with gold, but high-flown money theorists have proved (by their theory, not by common-sense argument) that the relation is 70 to one.

For God's sake, humanity calls for it, *face facts*, stop talking theories, keep in mind that there are in the white countries 30,000,000 unemployed, and that you can only make them happy workers again if you can make these 30,000,000 work for 960,000,000 poor, starving beggars, and you are beginning to see "common-sense" solutions.

We do not always want "postponed" economic conferences for this. Such conferences will never arrive at conclusions as everybody will talk about his own country's, and nobody about the world's solutions.

—SIR HENRI DETERDING

P. S. Although the greatest expert on silver money in the East, the Governor of the Imperial Bank of India, expressed more or less the same views, nothing is done either by the British or the Indian Governments. Can you beat it?

What's Ahead in Washington

W. M. Kiplinger *Writes about the Outlook*

Dear Mac:

FUNDAMENTALLY things are no better than when I wrote you last—either here in Washington or out around the country. Outlook is hazy, and anyone who tries to tell you otherwise is guessing. Only thing to do is to take each segment of the picture and try to figure it out as coldly as possible.

Roosevelt

YOU asked me my impression of Roosevelt. I don't really know him. I'm not intimate with him, as so many others around Washington and New York profess to be these days. But I am slowly acquiring an impression of him which is more favorable than unfavorable. This impression is based largely on stuff which comes to me from many different kinds of quarters—second hand, not fifth hand like most of the alleged inside stories circulating about him.

Of course, he is a great "yes man." He "yesses" his callers so that each goes away knowing absolutely that Roosevelt is a great man because he thinks as his caller thinks.

You might feel that this damns him, but it doesn't. The job of being President of the United States isn't an individual job. The man who holds the job can think straight, and be an authority in his own right all he pleases, but what really counts is what he gets done. To get things done, the President must spread the salve upon members of Congress—both parties. He must carry a lot of different kinds of people along with him. This is what Mr. Roosevelt is trying to do.

Not all his friends will stick. They never do. Hundreds of Mr. Hoover's friends began to desert him within a year after he became President, went around the country grumbling for two years, then rallied behind him for the campaign, but too late. Some of Mr. Roosevelt's friends will start deserting within a few months. His problem will be to hold enough of them together in Congress to put through his legislative program. He will be successful—in part. This is all you can expect.

There's really a very good spirit about Mr. Roosevelt here in Washington. Republicans are playing ball with him reasonably well. There's no such thing as an "era of good will" ahead, but there's a substantial bloc of cooperators of both parties.

Watch the party lines bust two or three months hence. The so-called Democrats will split on many issues, and so will the so-called Republicans. There's no such thing as solid parties. Just recognize this as a fact, and you'll not be shocked at the newspaper stories about "splits" which will be coming along.

You asked about Mr. Roosevelt's health. All the information I can get makes me think his health is good, or good enough. Yes, I've heard all the yarns which you have heard. But people are terrible gossipers. They tell for the truth what they have heard as a thin rumor.

You asked about his wife. She's a vigorous personality, and she has always had many interests of her own, and she felt she couldn't cut them off too suddenly. But as the First Lady she will suspend the ballyhoo of the recent past. She's all right—not a major item, nothing for you to fret about.

March

I THINK March will be a good month, insofar as the out-around-the-country feeling about Washington and political influences is concerned.

A new President and a new party always perk the country up. There will be all kinds of fine expectations, reliance upon promises, etc. The disillusionment, and the discovery that all the much-needed legislation can't get through Congress in a hurry will not come until around June.

Currency Inflation

WE are not going to have any wild currency inflation under Roosevelt. We aren't going to issue billions of dollars of greenbacks, or cut down the amount of gold in the dollar, or

do anything else of a drastic nature.

Some silver money may be coming along toward the end of the year. I don't know just what form. All depends on what can be worked out in international agreements between now and then. Watch the Roosevelt message on this point.

There may be a little expansion of currency based on government bonds. This might be "drastic" if it were carried too far. But it is my opinion that it will not be carried far.

Remember that there's a certain need of more currency, not merely to accomplish inflation and raise prices, but to meet the actual requirements of hoarders. Many so-called hoarders are compelled to keep currency about them just because they haven't a bank in which to put it.

Hundreds of agricultural communities don't have banks these days. Their banks have closed. A certain amount of currency expansion may be justified on other grounds than inflation. You need not get excited about the outlook for currency inflation.

Dangerous? Of course it's dangerous. If an inflationary boom should get started in this country next year, it would be hard to stop. The circumstances might be such that the Federal Reserve system would be powerless to curb it. We might have the post-war experience all over again. But there are many IFS between now and then, and it doesn't pay to try to be too far-sighted on a shoe-string of IFS.

Credit Inflation

YES, we shall have some kind of credit inflation. We have it now, and we shall have more. Now there's a condition of expansion which could make inflation if there were life in our business transactions. It takes money plus turnover of money to make business (or inflationary business), and now we don't have the turnover.

We shall get it, or some of it, by the government borrowing route.

By taking capital away from investors, giving them government bonds as tokens of eventual repayment, and then by using this capital as government loans for this-and-that, we shall force some turnover, some activity, some of the things which people call inflation.

Commodity prices probably will rise, perhaps along toward the middle of the year. I don't know how much, and I

don't think anyone can know. Surely there will be no "boom." It takes better fundamentals than we now have to make a boom.

Agriculture

THIS Washington town is going to raise prices of agricultural products by a law. It will be nothing as old-fashioned as the law of supply and demand, but a new law which takes money from consumers and gives it to producers. (Tariff does this.) The point is that it will yield some circulation of money, some turnover. In this sense it is inflationary.

Just what kind of plan will be finally adopted is not clear to anyone. The domestic allotment scheme has had its run. Nothing as complicated as the domestic allotment bill in this session of Congress will be adopted in the next session. The reason is that it satisfies no big organized group. Farmers themselves are not for it, and farm leaders are luke-warm. There is a bare possibility that domestic allotment, simplified to cover only wheat and cotton, will be enacted, but there is plenty of doubt about even this.

A substitute may be some qualified form of government price-fixing, several plans for which are on the fire.

Another substitute may be the plan of having the Government pay farmers so-much per acre for land which they leave fallow. This would get some cash immediately into farmers' hands and it would reduce production for a year or two. No one pretends that it is a permanent solution for overproduction. The solution probably lies somewhere in Mr. Roosevelt's big program for reorganizing the utilization of land.

Farm Mortgages

THE farm mortgage system has broken down, as was inevitable. Debts incurred in times of high prices and high profits cannot be paid in times of low prices and no profits. Debtors and creditors can make a pretense for a time at maintaining the regular order. Early in February the pretense was abandoned. Insurance companies, one of the largest groups of lenders on farm mortgages, announced publicly a policy, which they had maintained privately, to make no foreclosures except in peculiar cases where land had been abandoned by mortgagors. Other lenders are being forced to follow suit. This means practically a moratorium on farm mortgages for an indefinite period. That's the rule, though there are many qualifications and exceptions.

During the coming special session the groundwork will be laid for a long-term national policy of having the Government take over a large proportion of existing farm mortgages, and of refinancing them at a low rate of interest and low amortization charges, either directly or indirectly. A reorganized and expanded Federal Farm Loan System will do the job. Insurance companies are to be encouraged to remain as the principal source of private mortgage capital. (Insurance companies have been very decent in this crisis.)

About 40 per cent of the farms are mortgaged. Thus mortgage relief means farm relief for less than half the farmers. Others will get relief through other schemes. Ultimately, of course, farm production must be cut down, just as industrial production has already been cut down.

Local Governments

FARMERS who can't pay mortgages also can't pay taxes. Farms which can't be sold for mortgage liens also can't be sold for taxes. Thus taxpayers' strikes on a big scale are inevitable throughout a large part of the country in the next six months. Yet some local government must be maintained. So before the year is up the Federal Government will have to do some undetermined amount of financing of local governments. How to devise a scheme with a minimum of abuses is a task.

Don't you see how easy it is for all avenues of difficulty

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to lead back to the allurements of inflation? You may think what you will of the long-range merits of inflation, but you MUST recognize the terrific political force behind it. It is a force which cannot be withstood much longer.

Federal Loans

THE big point about national policy on government loans during the past year is that we have used them to cushion the continuing deflation. By lending to banks, railroads, other financial institutions, states, cities, etc., we have not sought to make business any better. We have sought merely to keep it from getting much worse too fast. It has been a braking process. Of course we THOUGHT that easy money, plus government loans, would get business going by now, but we thought wrong.

The big point about national policy on government loans within the next year is that we shall use them in two ways: (1) To continue the brake-against-deflation, as in the past. (2) To stimulate business aggressively and positively. It isn't quite accurate to say that we are all ready to shoot the works, speaking in terms of use of government credit to accomplish a business activity which private credit has not brought. But we are very near the point of shooting the works.

It is not possible to predict what new kinds of government loans Congress will authorize the R.F.C. to make. It is reasonable to suppose that Congress will give the R.F.C. very broad powers, trusting to the new Roosevelt appointees to administer their powers wisely.

I look for Roosevelt to have and to exercise more arbitrary power than any President since Wilson.

Federal Credit

UNDER all these new burdens of loans, will federal credit stand up? It is obvious that taxes will not supply sufficient funds for the emergency. Reliance must be largely on borrowing. The question is, therefore, will investors buy government bonds at reasonable rates? And can the market be sustained for the billions of old government bonds now outstanding, in the portfolios of banks, insurance companies, college endowments, and other institutions in which your and my little interests are involved.

It is easier to ask the question than to answer it.

The financial community is afraid that government credit will NOT stand up. That's why the financial community is so dead-set against all these schemes for new loans.

But there's a bit of reassurance in this view: The country has plenty of capital for investment, judging by all the statistical measurements. Its owners don't know what to do with it. If they did know, they would have invested it long before this in private securities, and bonds would be higher. They don't trust anything much, but they distrust the Government less than any other borrower. So, perhaps, the market for government bonds can be expanded a bit.

This is the view of some rather high government authorities, but they don't dare express it publicly, lest the acknowledgment serve to ease the minds of Congress so much that Congress would hop to it and appropriate wildly for government loans.

Taxes

THE coming Congress must raise federal taxes. Income tax rates will be boosted, and exemptions lowered, so that the great middle classes (the only classes in which there is much income blood left) will be paying more next year.

A general manufacturers' sales tax probably will not be adopted. Politics are not yet ready for it. Many states will adopt these taxes and beat the Federal Government to it. An ideal way would be for the Federal Government to collect the taxes and split part of the proceeds with the states. Something like this may get started during the coming session,

but I doubt whether it will be based on a general manufacturers' sales tax.

A long series of special excise taxes, directed against particular lines of business, probably will be the substitute.

Federal taxes will be on the up-and-up during the next few years. There is absolutely no escape from it.

Budget

IN my last letter to you I showed the arithmetic suggesting a deficit in the fiscal year 1934 of a billion dollars, figuring in some of the government loans which might be anticipated. Recalculation during the past months raises the figure rather than lowers it. I hate to go on record with any new figure at this time, because it is made up of so many if-and-and component parts, but I don't mind saying that the 1934 deficit now looks to be more than \$1,500,000,000.

We must get accustomed, I suppose, to the idea that this isn't all strictly "deficit." It represents a measure of how public policy is forcing capital to flow through public credit channels, after it has gotten balky and refused to flow through private channels.

State socialism in the field of capital and credit not only is creeping upon us, it is already with us on a big scale. As a nation we are not rushing to embrace socialism. We are merely absorbing it, a bit here, a bit there, when it seems the only thing to do. And this comment does not represent radical doctrine. It represents only factual reporting.

Anti-Trust

I THINK I've got some good news for you on anti-trust matters. I think Mr. Roosevelt has got his arms around the situation and is prepared to push for some fundamental reforms to let the units of a trade or industry get together and do certain things without fear of the federal cop.

The idea is to legalize the trade practice conference procedure, to broaden it out, and perhaps to transfer the supervision and administration of it to the Department of Justice (though I'm not sure of this last point). The idea is not merely to PERMIT trade groups to do things, but to encourage them to get together on standard rules of conduct, to make them see what they can do to abolish the cut-throat competition which works harm, ultimately, to everybody. All this is old stuff. There's nothing essentially new in it.

Here is a new point, however: Mr. Roosevelt hopes that shorter hours of labor and minimum wages can be established by trade agreements supervised by the Government. That's cutting pretty deep, but it is a major Roosevelt idea, and a substitute for shorter work periods by legislation.

One of the peculiar things about the administration which is now passing is that Mr. Hoover never really did anything about the anti-trust laws. He made a few recommendations, but he didn't follow them up with a big stick. He didn't sense that public opinion in the past few years has shifted from an attitude of regarding the old anti-trust laws as sacred, to a new idea that they must be revised in the interest of the small unit which would like the benefits of cooperation without the troubles of merger.

On anti-trust thinking, you find conservatives and liberals in the same boat nowadays. Conservatives want to get competitors together to curtail price-cutting, which means profit-cutting. Liberals want trades and industries to get themselves better organized so as to prepare the way for a planned society, or some approach to it.

Working Periods

WE are probably on the threshold of a new era with respect to working periods. The ballyhoo about technocracy has done one good thing. It has focused public attention on the evidence developed by technicians (long before the new *ism* burst upon us) that the rise of technical improvements in

production methods and the rise of unemployment have been going on for a number of years, even before the depression hit. It is obvious that in many industries working periods can be shortened. One unit would do it if the others would do it. Hence the argument for a "law" to make them all do it. But the flat law would bring on innumerable complications. Hence the interest in a scheme by which members of an industry might be encouraged to work out the intricate problem among themselves.

Tag-Ends

CONGRESS has a new intra-mural debating society, known as the "Forum," mainly among House members. They get together behind closed doors to chew the rag about policies, especially economic policies. They go to school to each other. It looks to me like a good thing, but some members of the House fear it will degenerate into a sort of Ku Klux Klan by which new members can be intellectually brow-beaten.

—Watch Vandenberg of Michigan in the Senate. He is a rising power on the Republican minority side.

—Among the new members on the Democratic side, watch McAdoo. He is the most vigorous of the new arrivals.

—Some more tinkering with the banking laws must be done by the coming Congress. Government guaranty of bank deposits cannot be described as a probability, but it is certainly coming to be more of a possibility than ever before. It depends on how bad the bank failure situation gets to be.

—The old-line agricultural organizations have gone to pieces as first-rate lobby forces. This applies to the Farm Bureau, Grange and Farmers Union, in varying degrees. The rising sun seems to be in the National Co-op Council, which is a trade association of the biggest and best co-ops.

—Senate got itself into a pretty pickle by challenging Mr. Barry's published intimation that some members of Congress could be influenced by money. Writers aren't supposed to say things like this unless they can prove them. Writers are too busy to be detectives. Oh, well! There are plenty of ways of influencing members of Congress more effectively than by passing money to them, or to their law partners. One of the ways is by social pressure. Another is to have a whole slew of letters written. "A Congressman's will is measured by his mail."

—The best quadrennial humorous show is provided by the newspapermen who try to be cabinet-makers in advance. Politicians and their attachés help by telling close friends, in strict confidence, as inside tips, things which aren't true.

—Organized labor, as nearly as I can make out, has a set of intentions to be vigorous within the next year, but no well-established big scheme for remedying everything. The shorter work period is fundamental, but it lacks emergency quality, and this year is still an emergency year.

—We can expect a wave of agitation for state laws against selling below cost. Loss-leader practices of chain stores have now been taken up by other merchandising organizations which are out-chaining the chains.

—Business leaders are showing a mite of horse sense in getting their various organizations to cooperate on big issues. During the past month there have been some secret conferences to this end. Mr. Chapin, the retiring Secretary of Commerce, did a quiet job in getting the big boys together. (Chapin is a good man. It's too bad his public career is cut short.)

—I've refrained from telling you exactly how business is going to be soon. I've refrained partly because I don't KNOW, and partly because what I BELIEVE isn't pleasant.

Yours very truly,

Wm. Chapin

Skylines on the Auction

By MORRIS EDWARDS of the Staff of NATION'S BUSINESS



This composite picture of the buildings erected by a single company in New York City gives an idea of the enormity of real estate promotion in the boom days

★ FOR three years city real estate has been making the distressing transition from a set of values based on hopes of quick profit from resale to a new set based on expectations of moderate return from use and ownership.

Whatever the causes, the present difficulties, or the probable outcome, that is the process which has been going on—transfer of ownership from weak hands to strong, transfer of financing from speculative to conservative channels, transfer of day-to-day operation from the hopeful figures of prospectuses to the actualities of experience. Steadily. Relentlessly. In a thousand cities. In the losses of tens of thousands of owners. In the forced adjustments of millions of mortgage lenders and mortgage bondholders.

If the collapse of real estate values had been climaxed by

an event comparable with the Black Thursday of the securities markets, its immensity, its cruel drama, and its vital relationship to business recovery would be more readily comprehended. But it was not. Realty transfers and mortgage foreclosures are recorded in isolated courthouses scattered throughout the land, not on the illuminated ticker tape of a single market. Likewise, there is a lag in time. When in an extreme case an office building sells for \$355,000 to a bona fide buyer in late 1932, few people, except the bondholders, realize that it was mortgaged for \$1,090,000 in 1926. But when a leading stock loses a point between sales, the toboggan of values is instantly common gossip.

Had there been similar concentration of events in real estate, everyone would have known that its losses, while of

Block

Cartoons by Charles Dunn

smaller percentage than those in securities, have been more widely diffused, and of greater economic significance.

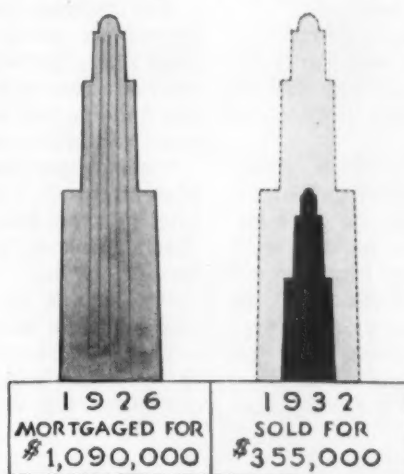
In most respects, that has been fortunate. Individual action in real estate transactions has been far less influenced by the terror of the herd. Although shoe-string owners have lost heavily, the owners of substantial equities in income-producing real estate have had time to make adjustments gradually, thus avoiding needless losses.

Real estate news is slow

SIMILARLY, although institutions specializing in "get-rich-quick" realty financing have crashed and left a pile of dismal wreckage, the conservative financial institutions—banks, savings banks, life insurance companies, trust companies, and guaranteed mortgage houses—have been able to absorb any losses in their mortgage investments at a pace that at no time has jeopardized their solvency.

The lack of instantaneous information about real estate conditions is unfortunate. It was not generally realized until 1928 that the post-war building shortage actually had been overcome by 1924. It was not widely known until 1930 or 1931 that the downward drift of values in key properties actually had started as early as 1926. Similarly, it may take two or three years for the news to get around that the winter of

★ THE refinancing of mortgages will play a big part in ending the depression. In an effort to find out how big a part, Mr. Edwards talked to 40 men in close touch with realty financing. This article begins a series in which he puts forward a composite of their views. The next, in April, will deal with home mortgages



Extreme cases of this sort suggest a train of events worse than actually happened

1932-33 probably marked the end of forced liquidation and the reestablishment of a stable base of values.

Changed conditions in realty

CONDITIONS of the past three years have had many angles. To tenants, they have provided the only opportunity in a generation to dictate lease terms. To owners of office, hotel and apartment buildings, they have been the "squeeze" between rent rolls which have gone down and fixed charges which have stayed up. To holders of defaulted bonds, they have offered an uncomfortable choice between liquidating at a loss and holding on for a better day. To financial leaders, they have presented the knotty problem of getting mortgages curtailed to

amounts in line with current values. To building and real estate brokers, they have meant the loss of volume which destroys profits. To others, the conditions have been simply a vague miscellany called "the real estate situation." The causes of that situation are an absorbing side of business history.

"From 1920 on," the president of a New York savings bank told me, "large key parcels of valuable real estate in



After the War mortgage bond financing was a virgin field and the sharks came in

almost every industrial city passed from the strong, conservative hands of owners content with a moderate return, through the progressively weaker hands of speculators interested only in construction or sale profits, and wound up in foreclosures or bond defaults.

"At the same time, the financing of real estate operations moved gradually from life insurance, savings bank and trust company investment channels to more speculative and costly sources of funds. Events of the past three years have simply represented the reversing of both of those trends."

Our mania for mortgage investments

TO C. H. Gifford of New York, a man closely in touch with conditions in eastern and southern cities, the recession has been an inevitable product of much deeper roots.

"You almost could say it was Adam Smith's fault," he said. "He emphasized the enduring value of land. Partly because of his doctrines, Anglo-Saxons always have had an abiding confidence in land investments. Don't mistake me. That is as fine a trait as our people possess.

"But a piece of land and the mortgage on it are one thing, and a 50-story skyscraper with 5,000 scattered individuals each owning a tiny fraction of the mortgage are quite another. Nevertheless, it became possible for a missionary in Bombay to invest his savings in a mortgage bond secured by a building in Detroit, with a succession of strangers handling his money from beginning to end. If the strangers were unscrupulous, based loans on falsified appraisals, appointed their own office clerks as trustees, and used one bondholder's principal to pay another's interest, the fellow in Bombay had

as 1923, three years before the first big mortgage bond house failure, the Investment Bankers Association's Committee on Real Estate Securities was doing everything short of libel to sound a warning against loosely-drawn mortgage bonds. It was striving to conserve what, in our modern scheme, should be the respected business of amassing from small investors the funds for large-scale, low-cost realty financing. But what was the use?

"Tradition, investment inexperience, apparent need, the lure of supposed safety and large return for the investor, and the certainty of quick, large profit for the promotor, everything!

"Whether it's horse trades, gold bricks, fake oil wells or—as in this case—real estate mortgage bonds, there always will be willing tutors for the unwary."

The mortgage bonds he referred to must be distinguished from other mortgage instruments. For example, there is scant similarity between them and the mortgages which life insurance companies, savings banks, trust companies, banks and building and loan associations bought for their own account and held to maturity.

Recent experiences, President John R. Hardin of the Mutual Benefit Life not long ago told the Association of Life Insurance Presidents, "do not require either distrust or abandonment of real estate mortgages as a safe investment for trust funds."

Nor, despite the similarity in name, should such mortgage bonds be confused with the mortgages and mortgage certificates sold with guaranty of principal and interest by title and mortgage guaranty companies which are amply capitalized and which for years have been conservatively managed.

"We are selling more mortgage certificates than for a long time," C. D. Burdick, president of the Title Guarantee and Trust Company of New York, told me. "Even more encouraging and important, the percentage of maturing certificates and mortgages upon which cash payment is demanded has dropped almost to normal."

Ten billion dollars

ACCORDING to reliable estimates, some 6,500,000 investors provided at least ten billion dollars for the mortgage bond financing that put unneeded skyscrapers on Broadway and over-elaborate apartments, hotels and theaters on Main Street.

Take the school teacher in up-state New York, who withdrew from a savings bank \$41,000 accumulated over nearly a quarter century and bought, at 99, real estate bonds quoted recently at 12, but with no bidders. Or the widow who "diversified" the investment of her late husband's

\$32,000 of life insurance by buying one \$1,000 bond in each of 32 issues put out by a house which has seen many of its issues go into receivership. Who could have convinced them that behind many issues by irresponsible houses were such practices as padded appraisals, management rakeoffs, 15 per cent sales commissions and false-front trusteeships?

They no doubt, had read the admonitions to "consult your banker," and "before you invest, investigate," but had assumed that such elementary advice was intended for illiterate

(Continued on page 58)



Although shoestring operators have lost heavily, owners of equities in income-producing real estate have avoided needless losses

no means of knowing anything was wrong until the show was all over." To that he added:

"Our people had their first large-scale experience with securities during the War. They got a thrill out of owning bonds. Then the War left us with an acute shortage of building space. On top of that, mortgage bond financing was so new that there were no long-established standards by which investors might be guided.

"What a virgin field! Naturally the sharks came in. Nothing could stop them. Legitimate business tried to. As early

Business Must Get Up to Date

By RAYMOND WILLOUGHBY of the Staff of NATION'S BUSINESS

EVEN in depression, change goes on. Are we keeping abreast of the times? Here is an article with some startling facts. Others will follow

★ **EVERY** business man feels a personal responsibility when his doctor urges, "Get yourself examined!" It's a golden text to keep a going concern going. Happily, the human mechanism has dependable recuperative powers. It does a good bit of repair and replacement on its own initiative. It will do more when aided by the skillful physician and surgeon.

But in industrial plants and equipment, in buildings and railroads, the dry rot of obsolescence meets no resistance in the organisms it attacks. "Modern" is only relative. The "marvel" of one generation becomes a museum piece for the next.

About 55 per cent of the present equipment of industry is now more than ten years old and inefficient. For three years replacements and improvements have got little beyond the entries in the depreciation account. About \$5,059,000,000 worth of equipment that ordinarily would have been replaced needs a transfusion of newness.

In a real sense the United States is constantly running down. The need for continuous regeneration of its productive powers provides the enduring opportunity for the organizer, the investor, the manager, the operative and the laborer and the suppliers of machinery and materials.

It was in 1927 that Henry Bèrenger, then the French ambassador, told his countrymen:

"In the United States little repairing, still less conservation is done; but incessant creation, incessant grouping, incessant organization are maintained; confidence is given a larger place than criticism, credit takes precedence over constraint, gain over economy. . . ."



After three years of depression that judgment seems more apt than ever. A ceaseless improvement is still the essential order of the business day. The company which tries to keep to the competitive pace by operating antiques within its factory walls is marked for self-destruction. No better off are the railroad managers saddled with superannuated equipment, or the building owners who are trying to rent outmoded facilities.

Obsolescence is hard to see

OBSERVATION and experience are gradually revealing the costly fallacy in the idea that merely keeping the wheels turning means earnings for stockholders and workers. The trouble is that equipment kept in good repair does not disclose to the eye that it may be an expensive luxury. It takes a cost accountant to tell whether maintenance is justified. Once it is understood that machines are merely the substance of ideas, and that ideas become outworn, the determination of obsolescence will advance to a scientific realism.

To the economist, as Professor Ely explains, machinery is a form of "capital goods"—products used or held for the purpose of producing or acquiring wealth, such as tools, buildings, transportation systems, raw materials and the like. Obviously enough, almost all

kinds of capital goods are being used up in production. This using may be a matter of a single use, as with fuel or raw materials, or it may be a gradual wearing out. New capital must not fail if the supply of capital goods is to be increased or replaced.

If the entire economic structure were to be brought to view at any one point in time, it would be seen that society has capital goods in all stages of wear, of all possible degrees of technical efficiency, and varying greatly in fitness or adaptability. We should see obsolete machines, ill-planned factory buildings, raw materials or dealers' stocks bought in expectation of a demand that did not materialize—all capital goods earning considerably less than interest and replacement. When capital goods already exist, their original cost does not always enter into the question of the profitability of using them. A business man who borrows money to invest in capital goods has to repay the interest and ultimately the principal, whether this particular investment proves sufficiently remunerative or not.

In fact, he will find it to his advantage to use capital goods rather than let them lie idle, so long as their use adds anything to his total income. A machine may thus be worth using, if not worth replacing; dealers can better afford to sell their goods for less than they cost rather than not sell them at all; a landlord will prefer to rent a building at a low rate, rather than to let it remain vacant.

Yet it is clear that the purchase of capital goods is guided by business men's estimates of the investment's ability at least to replace the principal and pay the interest on the money invested. When particular forms of capital goods fail to measure up to this standard these forms will not be replaced as they wear out. When certain forms enable business men to get any considerable surplus over and above interest and replacement, the tendency will be, so far as competition rules, to increase the investments in such forms, and in this way to force the earnings of these specially advantageous forms of capital goods down to the common level of interest and replacement.

It is a commonplace that the earnings

which stockholders have shared in dividends and employees in wages have resulted largely from remarkable improvements in equipment, methods, and designs. It seems logical, now, to seek increased earnings in the future as in the past, from new machinery, new equipment and new methods designed to meet changed conditions.

Unprofitable old machines

OBSOLETE equipment and methods cannot stand up to improved ways of doing things. New processes and new materials are crowding for place in the industrial sun. As every engineer knows, the profitable life of a machine called upon for close accuracy, high speed, and almost continuous operation is limited.

What has been going on for the past three years is well told by Ralph Leavenworth of the Westinghouse Electric & Manufacturing Company:

When hard times came a large part of our industrial capacity was allowed to idle, just as were a large number of our workers. Plant owners stopped their machines, expecting to start them again when buying revived. But they can't. Too many things have happened in the meantime.

A large percentage of their equipment was obsolete and too costly to operate before the depression. They were helpless before the trend of falling prices had begun to run its course.

When the owners take this machinery out again to use it, even that which has not suffered from rust will be useless because it is out of date. New machines, faster, safer, and more economical have been developed.

Can they begin to build business for a new period of prosperity with those old machines, in competition with more alert competitors who have rearranged their plants and adopted new methods? The answer, of course, is 'No.' Before they can expect to increase their sales in today's markets they will have to meet today's compe-

tition with today's equipment and methods of operating every department of their plants.

Surveys show us that systematic robbing of parts from idle machines to keep active machines going has left most manufacturers with no more part or units of equipment to fall back upon.

More than one answer is possible to the question "Why does industry countenance obsolescence?" Here are some that have been decisive in individual situations:

Unwillingness to look waste in the face. Reluctance to spend money in hard times. Inability to get credit for investment in new machinery or equipment. Fear of excess capacity.

To these answers several qualifying considerations have been brought to view.

Improved equipment does not create greater capacity, if only enough new machines are installed to provide for the same production as the old machines.

Many corporations have liquid funds drawing low interest that would be better invested in more profitable equipment. Improvement in equipment design presents inviting opportunity for cost reduction.

Equipment can be bought and in-

stalled today at a cost much below previous levels.

Changes in equipment can be made most easily when plants are not rushed with orders.

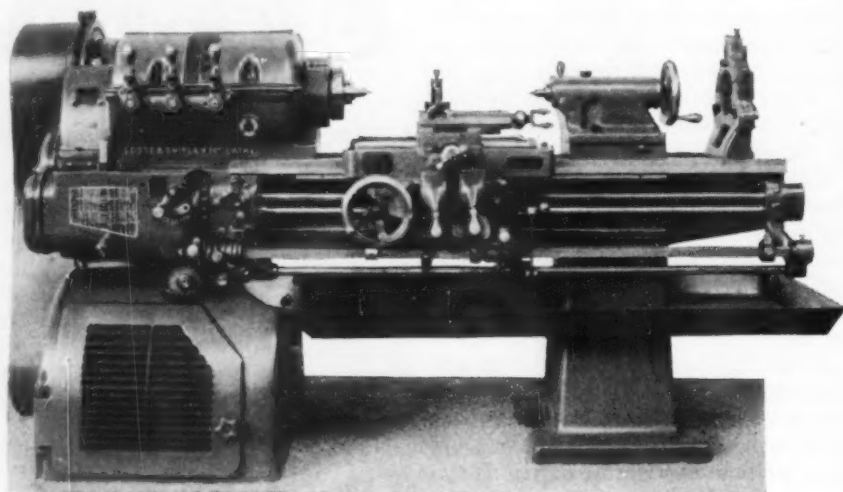
Production efficiencies will help price position and increase earning power.

Obsolescence means, not waste alone, but loss of opportunity for better profits.

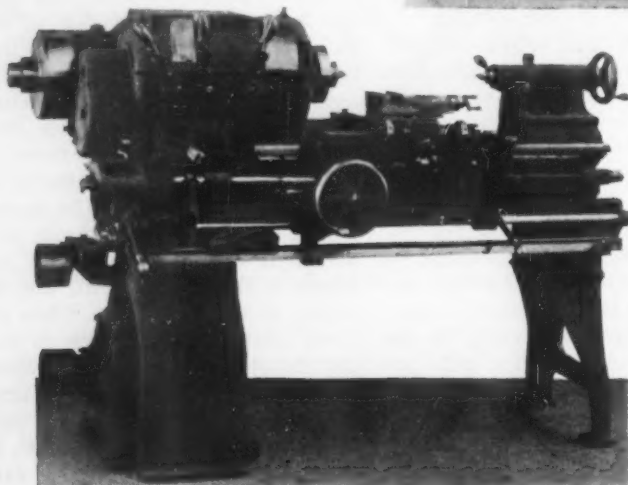
Greater efficiency

WHAT these new possibilities are and what they mean to a manufacturing plant in meeting the aggressive competition of these thrifty times is cogently summarized by *Machinery*. Briefly, the newer machines have three distinguishing characteristics. First, they have greater power, which implies that they are heavier, sturdier, and more compact; second, they have a greater range of speed, which means increased production possibilities and greater adaptability to the work to be performed; third, their control and operation have been simplified through the introduction of electric and hydraulic control and more effective mechanical operation.

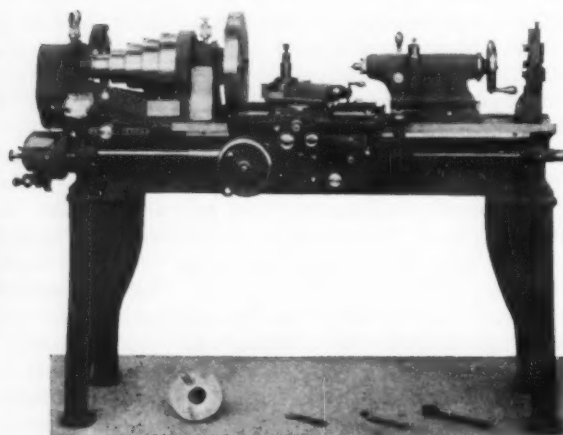
A few years ago it was believed that many of the standard types of machines



One need not be a mechanic to see the difference between the lathe of 1895 (lower right); 1923 (lower left) and 1933 (above)

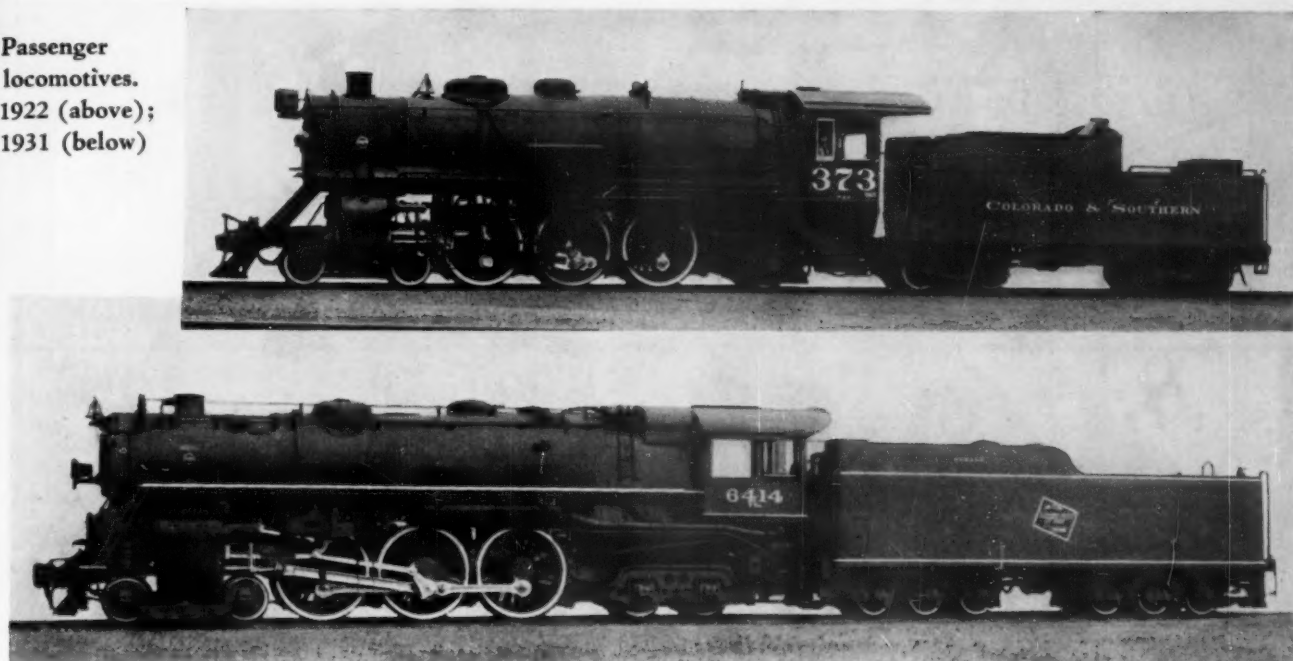


Modern lathes differ as radically from lathes of ten years ago as those lathes differed from the lathe at the beginning of the century



PHOTOS COURTESY LODGE & SHIPLEY

Passenger locomotives.
1922 (above);
1931 (below)



Although locomotives have changed almost as much as automobiles, in 1929 only 21 per cent of those in service on Class I Roads were less than ten years old

COURTESY BALDWIN LOCOMOTIVE WORKS

had reached the limit of development; and yet, today's models differ in so many respects that they signify an entirely new era in machine shop practice.

This is true, for example, of the basic machine tools—lathes, planers, shapers, and drilling machines—as well as of boring mills and horizontal boring machines. Modern 16- and 20-inch lathes, provided with 10- and 20-horsepower motors, differ as radically from lathes of that size built ten years ago as those earlier lathes differed from the conventional lathe at the beginning of the century.

Paradoxically enough, while many managements agree in substance with the representations of savings through replacement, it is not unusual to encounter at the top an impervious opposition to change. Executives in this state of mind make no bones of turning down recommendations from their own engineers. A business so ruled is "padlocked" against ideas, declares the Pratt & Whitney Company.

A "padlock" executive, by this definition, is one who refuses to invest in needed new equipment to replace obsolete tools when there is sufficient work to keep the new machinery reasonably busy, and complete proof of worth-while savings can be made.

Many shops with work in hand need new equipment and tools. The possible savings have been convincingly demonstrated, and the shop executives have "okayed" the purchase. But up in the head office the padlocks are out. Facts and figures to the contrary, the word is "No!"

Sitting tight may win the approval of diehard conservationists. It is no winning attitude for any business that must

face nimble competition. By way of stimulating contrast, a lively appetite for betterment is still a characteristic sign of the times.

It is eloquently exemplified by the automobile industry. For specific example, the Chrysler Company, K. T. Keller, its general manager, speaking:

We must be able continually to give the public a better product at a lower cost. We are constantly looking for better equipment or new ways to do an old job. This often means scrapping a machine that was the last word yesterday in productive efficiency—but has been rendered obsolete today by a newer and better one.

Every machine, every operation, was subjected to a searching cost analysis. First of all, was the operation necessary? If so, could it be done in a better and cheaper way? If spending \$15,000 would bring a machine up to date, but if it were shown that \$25,000 could give us a new machine that would still further lower manufacturing costs, we spent the extra money.

First of all, we considered plant capacity. This is a much misunderstood subject. I doubt if anyone knows just how much capacity we have in our industrial plants at present. Most of the figures mean nothing. To me, the moment a machine is obsolete—that is, as soon as there is a new machine that can do it cheaper or a better way of doing it—it can no longer be considered in figuring plant capacity. What good is it to be able to say that a plant can produce so many units a day unless they can be produced at a price that will bring sales in today's markets?

We never assume that a thing cannot be done, nor that costs are so low they cannot be reduced.

What obsolescence implies in a competitive sense comes directly home to industrialists in mounting costs in a period of falling prices. What it implies in a social sense is not immediately visi-

ble. To publicize the whole national significance of the superannuation of machinery and equipment, a Committee on Industrial Rehabilitation was created and is now working. A. W. Robertson, of the Westinghouse Electric & Manufacturing Company, is chairman.

Urge replacing machinery

THE Committee was organized in Washington at the recent conference of banking and industrial committees of the Federal Reserve Districts called by President Hoover and attended by ranking officials of the Federal Government.

The discussions made plain that one solution to the problems of employment and business recovery lies in the direction of industrial modernization. Accordingly, this Committee was authorized to devise and put into action a national program to accelerate replacement of obsolete machinery, equipment and plant facilities throughout industry.

In the industries devoted to the making of machinery and equipment alone, approximately 1,620,000 workers have been deprived of employment since 1929. Their loss in income totals more than three billions of dollars annually. It has been estimated that loss of employment for one worker in these "capital goods" industries results in loss of employment for three workers engaged in the marketing of consumer products—food, clothing, radio, automobiles—or in providing materials to the equipment and machinery builder.

The acuteness of this situation is further intensified by the fact that, along with the prostrating sag in employment, expenditures for equipment, machinery

(Continued on page 44)



Our Inquiring Taxpayer ★ No. 3 ★ ON learning that the Navy has developed a system of ships' service stores which handle cosmetics, lingerie and refrigerators, he visions the admiral as saying, "Madame, the dress goods department is two aisles off the starboard quarter." And he wonders just how much the laden-down individual on the left—whose wife has a second cousin in the Navy—is actually saving, since the taxpayer pays for the upkeep of the store. One imagines the able-bodied seamen in the foreground, who wanted to buy chewing tobacco, are as puzzled as he is.



MARCH · 1933

Vol. 21, No. 3

Published at Washington by the Chamber of Commerce of the United States

Charting the Course of Business...

WE ADVOCATE an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 per cent in the cost of Federal Government, and we call upon the Democratic party in the states to make a zealous effort to achieve a proportionate result.

—from the 1932 platform of the Democratic Party

Savings for the rainy day . . .

★ IN the annual report of the Bowery Savings Bank with its half a billion or so of deposits, the President, Henry Bruere, says:

"Of the total number of transactions for the bank for the year, other than new accounts, 53.22 per cent represented withdrawals. The depression has compelled depositors to draw upon their savings to get along. It is particularly for times and occasions such as these that savings funds exist."

In short, when a rainy day comes, put up your umbrella. And there are plenty of men and women today who wish they'd bought an umbrella. But three years ago, they didn't think it would ever rain.

Now they think it'll never stop. It will. And it will rain again, too.

Inflation and mortgages . . .

★ THE possibility of inflation of the currency and the spreading revolt against mortgage foreclosures in the farm belt have clouded the political and economic horizon for the past few weeks.

The two are intertwined. Much of the inflation talk, and so far it is mostly talk, is inspired by a vague belief that in some miraculous way, if we coin silver, or lower the content of the gold dollar, or just print more paper money to pay veterans, or construct public buildings, we shall raise the price of everything in general and of farm products in particular and mortgages can be met and taxes paid.

The action of leading life insurance companies in announcing that they would not go ahead with foreclosures on farm mortgages except where the farmer was plainly not doing his best or where chattel or second mortgages were being foreclosed, may prove helpful in stilling the inflation talk. That banking interests are concerned over it is shown by the space devoted to it by the banks' own publications, notably the *Guaranty Survey* and the *National City Bank Bulletin*.

(Note: Readers of NATION'S BUSINESS will find the news of the situation in the Kiplinger letter on page 17.)

That the situation regarding city mortgages is headed toward the crisis that exists in farm mortgages was made plain at the recent dinner of the New York Real Estate

Board. The Board's president, Anton Trunk, urged a general reduction of mortgage interest only to be met by Henry Bruere, President of the Bowery Savings Bank, who thought that reduction should be made by individual adjustments and not by a horizontal reduction of all interest. But the urban and suburban owner of mortgages is beginning to make himself heard as the farmer already has.

The mutual savings banks of New York, however, are reducing the interest rates to depositors. And real estate owners and owners (and most house holders are) are certain to ask why, if the outgo to depositors in savings banks is reduced, the income to savings banks from mortgages should not also be reduced.

Currency volume and prices . . .

★ THAT inflation would raise prices is by no means certain. Two things might well be considered when discussing inflation:

First, that there is no shortage of currency in this country, that there is a billion or so more money in circulation now than in the corresponding month in 1929. Moreover, this country normally does 95 per cent of its business by check or other evidence of credit, and only five per cent by cash. In France, which does 90 per cent in cash, the problem of inflation and price increases was vastly different.

Second, the high commodity prices of 1920, the high security prices of 1929, the dropping commodity and security prices of 1932 all came about without any currency inflation or changing of our money.

Third, nothing makes business more hesitant than uncertainty about the value of its money.

Taxes and still more taxes . . .

★ THE scramble for something to tax goes on. State after state is turning to a sales tax, to a new or an increased income tax, to added gasoline taxes, to anything in short by which they may raise money to pay their bills.

Possibilities of the property tax are about exhausted. The unbearable burden on real estate has brought into the hands of the taxing bodies thousands of pieces of property. Educators are clamoring that the burden of taxation for the support of the schools be lightened on property and passed on from the community to the state and from the state in some way to the Federal Government.

Meanwhile, the Federal Government itself constantly considers new sources of revenue by which to balance its budget. The salaried man still employed but on a lowered salary will sigh as he makes out his income tax blank this month and wonder where it will all end. But if the states go in for sales

and income taxes and the Federal Government broadens the base of the income tax and imposes a sales tax, is there any real relief for the property owner?

If I buy a garden hose to water my lawn do I care much whether I pay a tax on the sale of the hose, on the water that runs through it, or the lawn that absorbs the water? And does it matter to my pocketbook whether the state or the nation gets it?

The real need is on the other side of the budget on lessened government expense.

Scrambling for more taxes . . .

★ MICHIGAN is an instance of the practical application of this scramble for tax money. Her new governor proposes a three per cent retail sales tax and gross income tax affecting practically every industry, commercial activity and profession. One example: A three per cent gross income tax on the utilities to go to the school fund.

Other states consider like measures. How long before states are bidding against each other for business and residents by promising tax omissions? How long before the Federal Government grows uneasy at the states' invasion of the field of income taxation?

Action in a world of depression . . .

★ THIS is not entirely a standstill world though to many of us whatever motion it has seems retrograde. Two items from one day's news:

1. All trains on the Pennsylvania Railroad between New York and Philadelphia are now run by electricity. A test train went from city to city in 82 minutes. Eighty-seven industries get orders as a result of this electrification.

2. In this country alone, we are building the greatest bridge project ever undertaken—at Oakland; the highest dam in the world—the Hoover Dam; the largest privately financed construction operation ever undertaken—the Rockefeller Center.

Bridges are built of a size never dreamed of. Besides that at Oakland, the Golden Gate Bridge will be 8,943 feet long, with a suspension span of 4,200 feet, said to be the longest in the world.

The Mississippi Bridge at New Orleans has a main span of 790 feet cantilever and 530 foot anchor arms and will be 135 feet above high water. The Lindenthal Bridge across the Hudson at Fifty-seventh Street is getting under way as well as the Triborough Bridge.

The world moves and moves onward.

Let government do it . . .

Just as the American seeks to invent a piece of labor saving machinery to relieve him of a certain task, so he likes to set up a bit of governmental machinery to rescue him from his responsibility as a citizen.

THOMAS S. BAKER, *President of Carnegie Institute of Technology*

★ THERE'S plenty of proof of Dr. Baker's point.

A generation or more ago agitation began for the direct election of Senators, and in 1913 the amendment was passed. We altered the machine and assumed that it would improve the product when the raw material was at fault. Why should we have assumed that voters who elected poor material to their legislatures would be transformed and select only the highest type of men to the Senate?

Is the Senate today of higher caliber than the Senate of 30 years ago?

There was growing understanding of the evils of alcohol liquor consumption. What did we do? We passed a prohibition amendment, set up an elaborate machine for its enforcement and then said to ourselves: "Now that's done." What

happened? Every one knows.

A city decides that its slums need some housecleaning, so it goes to the legislature, is empowered to set up some sort of Sanitary Commission and then assumes that the job is done.

Are the aldermen corrupt? Try the city manager system. A sure cure for municipal mismanagement is thought to be obtained when a city gets a new charter redistributing functions of government.

And always we forget that nothing can take the place of good citizenship.

Governmental book-keeping . . .

★ "THE taxless town" is a most appealing idea. The argument is simple: electric power and light companies make money; if our town builds an electric light and power company, the town can make money; if we make enough money we needn't pay any taxes. Q. E. D.

Among the things overlooked are that not all industries, even utilities, make money and that making profits requires a concentration of effort, and the incentive of reward sometimes lacking in political appointees.

Westchester County, New York, is going through an interesting experience. Some time ago the County Park Commission set up an amusement park at Rye at a cost of \$9,000,000.

The Park Commission has proudly asserted that in nine years the playground had made a net profit of \$1,800,000.

A committee of the Board of Supervisors investigated the Park and two of the committee members hired expert accountants to go into the playground's finances and see how the profits were arrived at.

They reported that instead of a profit, the park showed a loss.

Here's one sentence of the report:

"If the depreciation on plant and interest on bonded indebtedness, which aggregated \$2,876,329, were charged against operating expenses as they would be in every properly conducted business, the Commission would have to admit an operating deficit as of Dec. 30, 1931, of \$1,086,381."

Lots of us could run a business profitably if some one else paid the rent and repairs.

Deflation? . . .

★ AN advertisement in the *New York Times*:

Rolls-Royce, convertible de luxe coupe, 6 wire wheels: fine appearance; price now \$245. Pontiac Used Car Department.

Throwing light in the corners . . .

★ TO the newly formed Edison Electric Institute, which succeeds the National Electric Light Association as the trade association of the light and power industry, our compliments and our best wishes of success.

Its purpose is to raise the ethical standards of the industry, to rid it of its reputation for engaging in improper propaganda.

Its platform has these major planks:

All member companies to submit to independent audits.

All statements to stockholders or to the public or governmental authorities to be accurate and clearly indicate their source.

All management contracts "shall be so drawn—that the charges to the operating company shall be reasonable and commensurate with the value of the services rendered."

And if member companies don't line up with the code they can be expelled.

A good program and the business public will watch with

interest the work of the Edison Electric Institute in carrying it out.

Cure by conference . . .

★ TO STUDENTS of economics we commend these two paragraphs from the declaration of policy adopted by the Citizens Conference on the Crisis in Education:

Immediate efforts should be made through the raising of the general level of commodity prices, the correction of serious economic maladjustments, and otherwise, to increase the volume of income and purchasing power, and thus to provide the moneys necessary for a proper educational program.

This Conference recommends the careful consideration by another conference or otherwise of steps deemed appropriate and necessary for increasing the level of income and of purchasing power.

What could be simpler or happier: "increase the volume of income and purchasing power and if this conference hasn't done it let's have another one."

Machines as slaves . . .

★ HENRY FORD took time out from the job of producing automobiles (he was helped in this by a strike in another factory) to deal a death blow to that already dying cult, "technocracy."

The machine is the savior, not the enemy, of mankind.

New machines, new and better and cheaper products, new avenues of consumption, new jobs to any displaced by a more efficient machine.

That's the cycle of human comfort and happiness as Mr. Ford sees it. And not an iridescent dream. If we look back over 100, 200, 500 years, instead of staring shortsightedly at the last three, we see a world of increasing comfort and decreasing toil. Why should it not go on?

We "point with pride" . . .

★ TALCOTT POWELL has written and Harcourt, Brace & Company have published "Tattered Banners," a discussion of the shortcomings and wastes of the Veterans Administration.

The book's advance publicity recorded in the New York Times says that it gives a summary of "a suppressed government report . . . made at the request of Representative John M. Nelson of Wisconsin, chairman of the House Committee on Invalid Pensions."

Mr. Powell is excited over this suppressed report, of which the Times says:

"This document was carefully guarded and its contents never before have been public."

But it has been made public. In its issue of December, 1931, NATION'S BUSINESS devoted three pages to a summary of this report written by one of the members of the Committee.

To see oursel's as ithers see us . . .

★ THE Business Branch of the Newark Public Library has been analyzing NATION'S BUSINESS. It has gone over the files of the magazine for the years 1926, 1928 and 1932 and has tabulated the changes in its editorial policies. Here's the report:



TALBURT IN THE WASHINGTON DAILY NEWS

The Chase

Not only in books [the bulletin had been discussing business books] are the changes in reader interest recognized in the passing years. A comparison of NATION'S BUSINESS for 1926, 1928 and 1932 makes this plain. In the following tabulation, of the ten types of reading matter presented, two showing a marked increase in the attention given them are: (1) articles on taxation and costs of government, and (2) the discussion of employment problems. NATION'S BUSINESS, as the organ of the National Chamber of Commerce, and therefore representative of the strongest business organizations, has found these of increasing interest.

COMPARISON OF PERCENTAGES TYPES OF CONTENT

	Percentage		
	1926	1928	1932
American economics	23	28	25
Investments	1	1	3
Technical changes	5	3	4
Specific industries	35	31	14
Taxation, government costs	6	4	25
Federal regulation	6	4	3
Marketing methods	2	18	10
Employment problems	1	4	8
Business history	8	3	8
Economic problems abroad	13	4	..

Outstanding is the amount of space given by NATION'S BUSINESS to "Taxation, government costs." Isn't the editorial judgment sound?

Has any other question been of so much interest to the business public in the last two years?

Did NATION'S BUSINESS follow business opinion in devoting so much space to taxation and government costs? Or did it create business opinion which in turn followed NATION'S BUSINESS?

Did the hen lay the egg? Or did the egg give birth to the hen?

No Business Can Escape Change



"Baby" refrigerator cars, four-wheeled, 22 feet long, have been developed for handling less-than-standard-car-load shipments of perishables. They're expected to win back some of the business rail carriers have lost to trucks. . . .

A rotary displacement pump of new design runs at speeds heretofore believed impracticable for such pumps. It has but three moving parts. . . .

A new rubber belting which resists chemicals and oils has been developed. It's said to be the first product of its kind. . . .

Fire hose is now being treated with radioactive salts to render it mildew-proof, moisture-repellant. Need for careful drying after use is said to be eliminated with hose so treated. . . .

Houses made of plywood, also tourist cottages, trailer houses and garages, are now on the market. Factory built, they are shipped ready to assemble. . . .

Painted, enamelled or varnished interior walls are protected by a new transparent, colorless coating which seals the finish against grime. Plain water is said to remove both coating and dirt, leaving the finish unaffected. . . .

A gypsum wallboard is now being made with the reverse side surfaced with thin, bright metal. Superior insulation is claimed. . . .

Both heat and humidity in home or office are indicated by a new, compact, sensitive and easily read instrument. . . .

Steam delivered to a radiator is constantly governed with a new temperature control valve, actuated by a gas pressure readily responsive to room temperature changes. . . .

Automatic, oil-burning, warm-air furnaces are now on the market. Air-conditioning attachments are available. . . .

Electrical outlets can be had at intervals of three feet or less entirely around a room through a new wired metal channel built into the baseboard or used as a moulding. . . .

Somewhat similar is a new wiring duct for display cases which permits lighting units to be plugged in where needed. . . .

Housewives need no longer shake and launder dust cloths. New paper dusters, lightly treated with cleansing liquid, are on the market. They're thrown away when soiled. . . .

Cellophane continues to find new uses: Cheese is being cured and marketed in it, according to report, without shrinkage, rind formation or mold. It's also being used for party tablecloths (plain or colored), and in beach wraps and parasols, since it's said to retard sunburn. . . .

Cotton beach dresses may supplant beach pajamas at the watering places this year. Made of terry cloth or other absorbent fabrics, they afford effortless rub-downs. . . .

CHANGE, in whatever form it reveals itself, is disturbing to most of us, for it jars us out of our natural inertia and necessitates adjustments to the new order it brings. Yet it comes upon us inevitably

The new elastic "two-way stretch" yarn will also be on the beaches this year, in form-fitting but nonbinding swimming suits. . . .

Mimeographing can now be done in several colors through one stencil and in one operation. New special color inks and a simple new method make it possible. . . .

Retailers print sales slips as they're needed with a new machine which also offers a computing and money-control service. Slips are printed, dated, safety-treated, perforated in one operation. . . .

Space is saved by a new type of cardboard box which is assembled from flat-folded parts in the user's own establishment. Quickly formed, the boxes can be made up in a variety of heights. . . .

A new machine for cutting metal sheet materials works on a pantograph principle. Intricate designs are quickly cut with it without the use of metal templates. . . .

Articles enameled by a new centrifugal method are first immersed, then whirled free of excess enamel. The method's said to give a thin, uniform coat and to save both labor and enamel. . . .

A new type of tamper to aid in settling concrete in walls, piers, other reinforced sections, consists of a submergible vibratory electric motor mounted on a handle of aluminum tubing. . . .

Bakers are offered a new gas oven, built in units. Different temperatures, automatically controlled, can be maintained in each unit, permitting baking of a variety of goods at one time. . . .

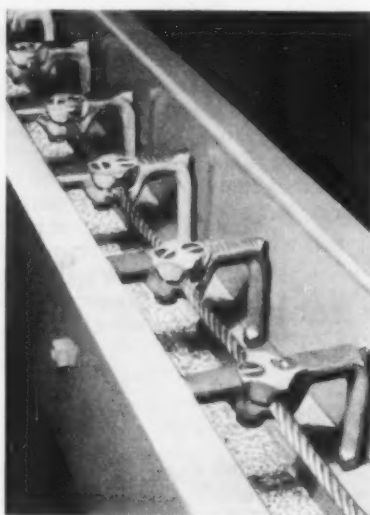
Pneumatic pressure and controlled electric heat are used in a new vulcanizer for repairing tire tubes. It's said to make easy the most difficult repair jobs. . . .

In a new grade-crossing guard, the barrier, set into the roadway, first rises four inches as a warning and is depressible by cars clearing the tracks, then rises to 12 inches, halting traffic. . . .

A roller atop a new razor is revolved by contact with the skin, causing the blade to move from side to side in mower fashion. . . .

—PAUL H. HAYWARD

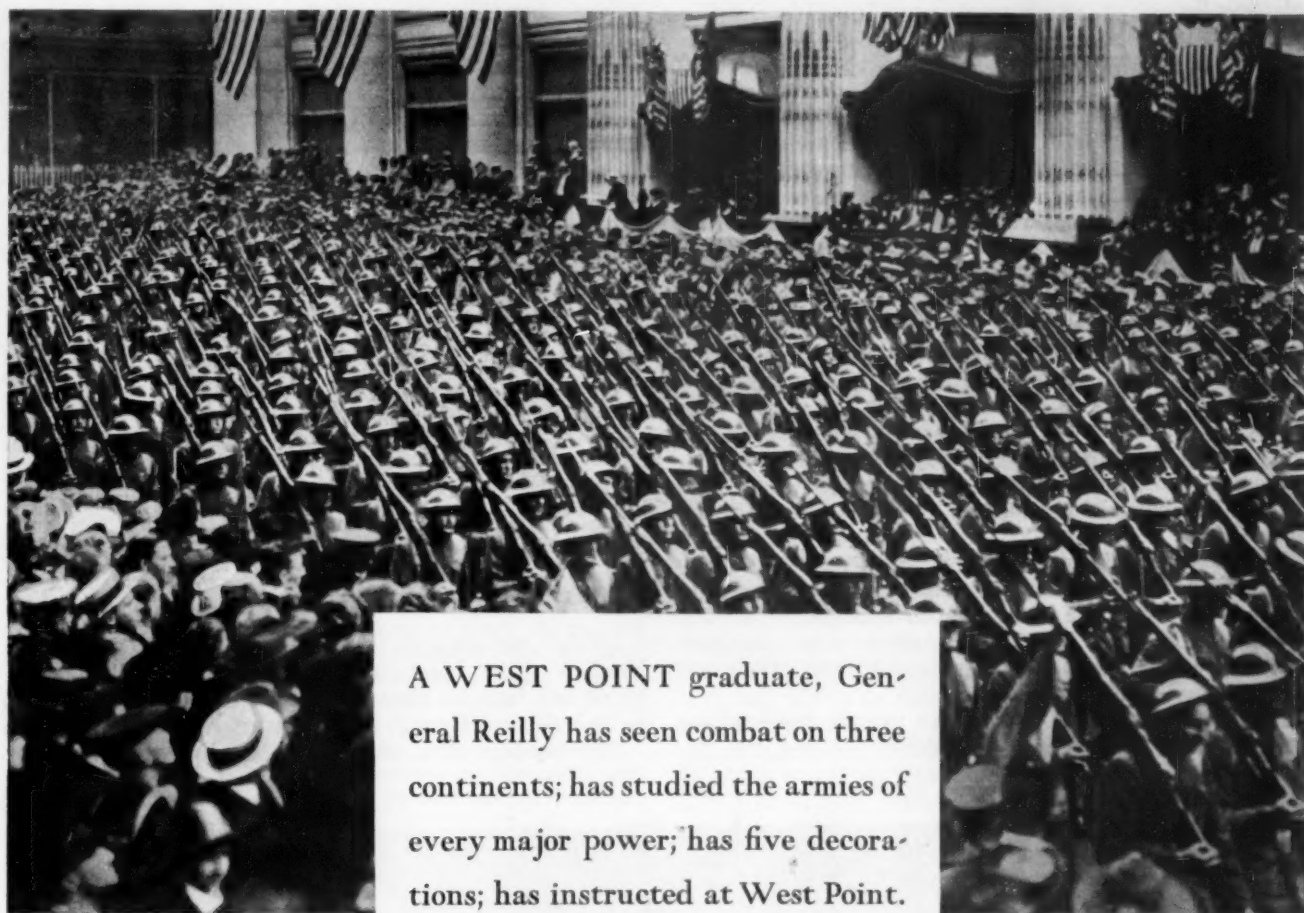
EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.



A new conveying system moves bulk materials in a steady stream, horizontally, vertically, around corners, without breakage or dust

A Better Army Would Cost Less

By BRIG. GENERAL HENRY J. REILLY, O.R.C.




A WEST POINT graduate, General Reilly has seen combat on three continents; has studied the armies of every major power; has five decorations; has instructed at West Point.

He declares interest on money wasted in our military structure would meet the present appropriation

More men would have returned from the World War had we been ready

tration supporters, that we were spending approximately \$250,000,000 a year on our Army and Navy.

 SINCE we started our own national defense at Lexington in April, 1775, by the "shot heard 'round the world," this country has had six wars. We are still paying for five of them.

The reason for this continuing expense is simply this: Although we have spent large sums for national defense through our 158 years of existence, we have generally spent it in a way which would have landed any private business in the bankruptcy court—and the defense has sometimes been worse than mediocre.

The interest on the money wasted would more than meet the \$722,000,000 our Army and Navy cost us in 1931; or the \$586,000,000 in the budget now before Congress.

This tremendous expense is the reason for the apparent—and I use "apparent" advisedly—unbridgeable chasm between business men and their congressional representatives, on the one side, and military men on the other.

In 1910 and 1911, Representative McLachlan, of California, repeatedly pointed out in the House the inadequacy of our national defense. Probably the reason nobody listened was the fact, indignantly pointed out by numerous Adminis-

Nevertheless when we entered the Great War in 1917, Mr. McLachlan was soon shown to be more than right. The fact that we made a really wonderful and successful effort to make good does not compensate for the continuing cost of the war which we face today, and will face throughout our lifetimes.

The two largest items in our budget today—service on the public debt, \$1,200,000,000, and pensions, \$850,000,000—are, largely, inheritances of our Great War participation.

While the Army and Navy appropriations have been cut approximately \$125,000,000 since 1931, they are still nearly \$600,000,000.

This is 2.4 times as large as the average expenditure in Mr. McLachlan's day. When to these present-day appropriations are added the debt service and pensions chargeable to past wars, the sum is so appalling that little argument is needed to prove that the time has come to do something about it. I do not make this statement because of any belief

that the day has come when "swords can be beaten into ploughshares."

I see no evidence that disarmament is the road to peace or, for that matter, to greatly diminished, if not abolished, expenditures for our Army and Navy.

The Versailles Peace Conference, the Washington (1921-22), Geneva (1927), London (1931), and Geneva (1932) Conferences all offer cumulative evidence that the nations do not believe the time has come for disarmament.

From the first functioning of the League of Nations and the World Court to date, including the operations of the Nine Power Pacific Treaty and the Kellogg Pact, I find nothing to warrant trusting our national security to "scraps of paper."

Getting more defense per dollar

HOWEVER, despite my belief that disarmament is not the way to lift our burden, I am convinced that we can get far more effective national defense than we have ever had at much less cost.

In other words, I am convinced that it is possible to bridge the chasm between those who say no more money can be spent on national defense than we are spending today and those who insist that, since today's defense is inadequate, much more must be spent.

The way to do it is to see that every dollar spent buys the maximum return in national defense. This is something we have never done, in peace or war.

The best proof that we have never done it in peace is that our peace time Army and Navy have never been able to pass to a war basis quickly or efficiently, either from a military or a financial viewpoint. The Navy has come nearer to doing so.

The Army always passes through a violent period of upheavals and reorganization and torrents of money are spent before the Army which fights the war appears.

This state of affairs existed before our entry into the Great War when we were spending as much as \$250,000,000 a year on the Army and Navy.

It still exists today, despite the fact that for the first time in our history we have definite military policies—the Na-

tional Defense Act of 1920 for the Army and the Washington and London treaties for the Navy.

The reason it exists is simple:

We have not put national defense on a business basis:

Therefore, the money spent in peace does not provide the mechanism for us to pass quickly and efficiently to a war basis. As a result, the cost of our wars is out of all proportion to the results accomplished.

The cost of our wars, minus the cost of national defense on a business basis equals the hundreds of millions of waste for which we are paying and will continue to pay for several generations.

Putting national defense on a business basis is not a question of quarreling in committee or on the floor of Congress over a few thousand dollars. Neither, for that matter, is it a question of a few millions in various items of the annual Army and Navy appropriation bills.

It certainly is not a question of such things as Army laundries and Army coffee roasting plants; as desirable as it is, when it can be done as cheaply and as well, to have civilian facilities perform such work for the Army.

For laundries or Army?

ANY one who cares to read the record of the discussion on the floor of the House on the Army Appropriation Bill, just passed, will find pages dealing with such matters as this:

MR. COLLINS: Oh, yes, it would permit them, if they found an unexpected balance on hand, to build a laundry or dry cleaning establishment without coming to Congress for an appropriation.

And later

MR. COLLINS: Mr. Chairman, the purpose of this language is to enable the Army to buy its coffee as cheaply as possible—I do not know of any particular reason why they should operate a central coffee roasting plant.

Neither can national defense be put on a business basis by allowing the chairman of a sub-appropriation committee to put into force his ideas of what our military policy should be by legislating through appropriation.

Any one who reads the opening speech of the Army Ap-



U. S. ARMY AIR CORPS

Fort Huachuca, Ariz. Many forts built as protection against the Indians are still maintained at the taxpayers' expense. Their abandonment would save money and improve our defense

appropriation Bill by Representative Collins, Chairman of the House Sub-appropriation committee on Military Affairs, and follows the debate throughout, cannot escape the conclusion that this would have been the result had he succeeded in putting the bill through as he reported it.

Putting national defense on a business basis is a matter of far greater importance than any of these. It is of such vital importance that the only way it can be done is to have a joint committee of both Houses go thoroughly into the whole subject.

The conclusions from the facts collected must be honestly accepted. The peace time tendency to have the tail wag the dog must be firmly suppressed. General Harbord, whose success in both military and civil life makes him an unusually qualified judge told the writer:

"The tendency is always to build up what might be called the business and administrative end of our National defense at the expense of the combat end. The longer the period of peace, the more that is so. When our Army or Navy is cut either because of our usual neglect between wars, or because of the necessity for economy, or both, it is always the combat end which suffers. This period is always the one in which the Government steps into competition with private business."

Our coasts are poorly defended

HERE are some of the most important defects in our national defense today.

The Hawaiian Islands, once our stepping stone to the Philippines and Asia, are now our farthest western outpost. The proper preparations for the defense of Oahu, long planned, have never been completed. The Navy's Pearl Harbor Base is still unready for the strain which war would bring immediately. The artillery is still but partially motorized. Such motor equipment as it has is not up to date. The roads necessary for the quick movement of troops and guns from one part of the island to another, without which it cannot be adequately defended, are far from complete.

Panama, like Hawaii, is subject to surprise attack and capture in the early days of a war, because unprepared to resist properly.

Our great coastal cities and seaports almost entirely lack anti-aircraft defense. They have nothing which can compare to the systems established around London, Paris, Rome and Tokyo.

We need more planes and, in the Navy, more plane carriers. The steps needed to complete necessary mechanization and motorization of our Army within our own continental limits are far from complete.

There is not a regiment of infantry, cavalry or field artillery within those same limits that is even complete at peace strength.

Our Navy has sunk from first place in 1921 to third place today. This not only because we have failed to build ships where all other sea powers have, but also because a considerable proportion of those we have are laid up, while the balance at sea are mostly undermanned.

The main trouble with our national defense organization today is faulty organization at the top which is reflected in violations throughout of fundamental business principles. The higher organization of our Army and Navy today has been built up by adding something from time to time as necessity or desire dictated. From time to time, efforts have been made to correct this but such reorganization as has resulted has always been a compromise between conflicting military and political interests.

Added to this is the fact that, although the President is Commander-in-Chief of the Army and Navy, he practically never exercises his functions as such in time of peace. Yet, our whole military history proves conclusively that an efficient Army and Navy in time of war depend upon having efficient War and Navy Departments in peace time.

What is more, the history of our federal finances shows that the excessive peace time burden carried by our taxpayers can be directly traced to this failure to have our War and Navy Departments upon a business basis in time of peace.

Thinking Army and Navy officers have long believed this. Consequently they want a reorganization which will prune

away parts unnecessary to a modern organization, prevent overlapping by confining each of the remaining parts to its proper field; and provide such adequate control from the top that both Departments will function efficiently and economically throughout, in accordance with established policies.

Navies were originally composed of ships filled with soldiers for fighting purposes, but sailed by merchant sailors. In the course of time, the two merged—all the crew of warships performing both the military and sailing duties.

Navies which overemphasize the sailor end at the expense of the military always suffer when they meet in combat a navy where the military end is kept predominant and the sailor end efficient but subordinate.

This is why our Navy Officers always object to the phrase "military and naval." They insist it should be Army and Navy. They are right because both must be military.

After all, ships, whether surface, submarine or air, are only weapon carriers; that is, a means of getting weapons to the scene of battle and enabling them to be used there. Naval warfare in modern time has proven that heading a Navy with a General Staff is the best means of insuring this. As an inevitable consequence it is the way to the maximum naval defense for the taxpayer's dollar.

The Navy Department today is far better organized than was the War Department before the Army General Staff was formed. Nevertheless, it does not centralize the activities of its different branches in the Chief of Naval Operations, who, in a way, is supposed to correspond to the Chief of Staff of the Army. As a consequence there are three serious defects:

Many chiefs of bureaus go right by his door direct to the office of the Secretary of the Navy.

There is considerable overlapping of the bureaus or branches.

The General Board, an excellent body for the study of policies, has no power to enforce these policies as has the General Staff of the Army.

Here are some of the changes which would save money in the War Department, both directly by decreasing the overhead, and indirectly through greater efficiency in the operation of our Army.

The first is to make the Assistant Secretary of War the Assistant to the Secretary of War. Today he is a sort of civilian chief of an industrial staff in charge of certain supply functions and the planning of industrial mobilization. The supply function should be transferred to the office of the Chief of Staff and industrial mobilization to the War Plans Division of the General Staff.

Organization is outmoded

THE present arrangement, brought about as a compromise to prevent the establishment of a separate and overlapping Ministry of Munitions, causes overlapping and sometimes considerable friction because the allegiance of the bureaus is now divided between the Chief of Staff and the Assistant Secretary of War, while the War Plans Division of the General Staff has not complete control of all war plans.

Similarly, the need no longer exists for the Assistant Secretaries for Air in both the War and Navy Departments. These two posts were established to bring about adequate development of aviation in both our Army and Navy. However, the air services are now on a firm footing and, as service in the air is eagerly sought by graduates of West Point and Annapolis, future progress unimpeded by reactionaries is assured.

Along with this should go the increased use of enlisted men as airplane pilots. Today, we find that the cost of keeping a plane in the air is the greatest limiting factor on the number of war planes possessed by our Army and Navy. This is particularly true now that the flying corps of both services—especially in the Navy—is becoming more and more made up of graduates of the Military and Naval Academies because their education is expensive. In any case,

the maintenance of an officer, due to his pay and allowances, costs far more than the maintenance of an enlisted man. Thus, if we throw open the pilot's qualifications to enlisted men, we could increase the number of our planes and pilots at considerably less expense. Incidentally this would help remove the stagnation in promotion which is seriously affecting the morale of Army Air Officers today.

Every officer of the air force should be a pilot, just as every Navy officer should be a navigator, and every cavalry or field artillery officer a horseman. There is no reason, however, why every pilot of a military plane should be a highly educated officer. This is not true in other countries. Italy has approximately 1,000 enlisted pilots; France nearly 2,000. Great Britain and Japan each have about 300.

The time has come when the Signal Corps can be, regretfully because of its fine record, abolished. Army communications, where not already in the hands of the artillery, cavalry and infantry, could be placed under the control of the engineers. When first organized, the Signal Corps was needed because the artillery, cavalry and infantry had not yet learned to handle their own communications efficiently. Now that they have, and in a country which makes such tremendous use of telephones, telegraph and wireless as this does, and is teeming with civilians who are experts, the time has passed for a special corps.

Simplifying would help efficiency

THE chiefs of infantry, cavalry, field artillery and coast artillery could be sent from Washington to head the schools of their respective arms at Benning; Fort Riley, Kan.; Fort Sill, Okla.; and Fortress Monroe, Va. Thus they would be limited to the technical side of their arm. This would eliminate the present overlapping with the General Staff, some of the bureaus and the Corps Area Commanders.

Many of the activities of the Militia Bureau which duplicate those of the War Department should be eliminated. The Bureau should be limited to those matters peculiar to the fact that the National Guard has a dual status—that of both state and federal troops.

The research work now being done by the Ordnance, Engineers and Signal Corps should be combined into a research department directly under the Chief of Staff. This would abolish overlapping, and the natural tendency to over-emphasize the importance of the work for any one department should it be concentrated there.

Concentrate all construction in the hands of the Corps of Engineers. Today the Quartermaster Corps, the ordnance, the air service and the engineers each construct buildings of various types. The engineer officer is a trained constructor; the others are not. Washington Barracks and Fort Humphries were built by the engineers, various ordnance posts by the ordnance, some buildings at their posts by the Air Corps and the remainder of the army posts by the Quartermaster Corps.

All storage facilities should be grouped into one storage division under the Quartermaster General or Chief of Engineers in peace time, but to be a separate department in time of war. Today the Engineers, Ordnance, Signal, Quartermaster, Chemical Warfare and Medical Corps have separate storage facilities.

Visitors at Panama Canal, for instance, can see in one group but under separate control the store house of each of these except the Medical Corps which is at Ancon. This is not the only example.

The Chemical Warfare Service with its office of a separate chief in Washington could be abolished and its activities put under the Ordnance Department, the primary mission of which is the development of weapons and the defense against them.

Of course the Army should be concentrated in fewer army posts and the Navy in fewer navy yards.

Mr. Cochran of Missouri, in speaking on an item in this year's Army Appropriation Bill, said:

We have 151 Army posts garrisoned with troops in this country. We have 46 general and branch depots. We have 13 manufacturing arsenals. We have 48 procurement agencies for supplies. I contend the posts can be grouped into say a dozen places in the United States and a world of money would be saved. Why out in the western country are forts that were placed there before we were born to look after the hostile Indians, but we have no hostile Indians out there now. The President of the United States can do nothing better than to get a corps of experts around him to investigate the closing of these forts, and, I might add, close up useless navy yards. You cannot do it in Congress because you would be voted down, but give somebody the power to do it and save the Government a real amount of money.

Just one hundred years ago a Board of Navy Officers recommended elimination of a number of navy yards which are still in operation.

Some of this is the result of legislation and will take legislation to change it. Some of it could be changed by the President if he fully exercised his powers as Commander-in-Chief.

As matters now stand, the President deals with the War and Navy Departments solely through the Secretaries of War and Navy. This undoubtedly is correct from the point of view of carrying out policies. However, it does not insure the President getting direct technical advice as does the executive of any big business or industrial concern.

The Army has a Chief of Staff who, besides this operating position, is Chief of the General Staff which is the military technical policy-forming branch of the War Department.

The Navy should have the same. However, their Chief of Naval Operations has many of the functions of a Chief of Staff. Neither of these positions are in the regular line of promotion. This means they are filled by picking a General Officer, in the one case, and an Admiral, in the other, who, while competent, are also in personal sympathy with the Administration in power.

Thus the means exists for the Chief Executive to get technical advice in the same way as do business and industrial executives without going through his managerial heads, should he, in his military capacity as Commander-in-Chief, see fit to do so.

We have too much optimism

ONE of the greatest obstacles to any attempt to put national defense on a business basis is our national optimism. We simply cannot believe anything can happen to us. We always regard anyone who attempts a warning as an alarmist or an excessive militarist.

The *Congressional Record* of 1910 and 1911 shows how Mr. Tawney of Minnesota used such accusations to stop Mr. McLachlan of California from bringing home to the country the fact that our national defense was inefficient, both from a military and a business viewpoint.

From then until we entered the war various other attempts to show our true condition were made. Since the war, General Pershing's Reports and those of General Summerall are full of the same thing. While he has never told me so I am sure the present Chief of Staff, General MacArthur, is similarly convinced of our dangerous deficiencies.

Every hearing on Navy bills or Navy treaties brings out our dangerous deficiencies at sea. Secretary Adams on page seven of his last Annual Report states them clearly and succinctly.

The following quotations from Colonel Fuller's "*Imperial Defense—1588-1914*," while dealing with the failure of Lord Roberts's efforts in 1908 to persuade his countrymen to prepare for the Great War, seem singularly applicable:

The truth having been spoken, Lord Roberts was jeered at by cabinet ministers, laughed at by simple M.P.'s, reviled as a jingo and swashbuckler by the liberal pacifist press, and attacked by the Adjutant General at the War Office—(Lord Roberts) proposals would have cost 8,623,037 pounds. Eventually the Great War cost us in the neighborhood of 8,000,000,000 pounds!

CHASE & SANBORN

keeps its dates
with **SIX-CYLINDER**
CHEVROLETS



IF, AS the saying goes, "A commercial car is known by the company it keeps"—then there's no question about the reputation enjoyed by Chevrolet. The long, impressive list of Chevrolet fleet owners reads like the "Blue Book" of American commerce and business. All the best-known firms in the packing industry are there. And the leading food companies. The famous gas and oil corporations. The large tobacco concerns. In fact, this whole page could be packed full of names of Chevrolet fleet users—names that you know and whose business reputation you respect. And it all goes to confirm this one hard and fast rule of modern business: When a product comes on the market, and proves its ability to save a firm money, then American business is going to demand it, in a big way! And that's exactly what is taking place today. Cost-records have proved that Chevrolet cars and trucks—with their rugged chassis, big well-built bodies, and SIX-cylinder, OVERHEAD valve engines—are cutting mileage costs down to rock bottom. With the result: Chevrolet is today the leading choice of leading firms for lowest transportation costs. CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN




Illustrated above is the Chevrolet Special Panel, \$545. Chevrolet trucks are priced as low as \$440. Chevrolet passenger cars are priced as low as \$485. All prices f.o.b. Flint, Michigan. Special equipment extra. Low delivered prices and easy G.M.A.C. terms.

CHEVROLET PASSENGER CARS AND TRUCKS

When visiting a CHEVROLET dealer please mention Nation's Business

Developments in Distribution

TODAY'S choked distribution machinery needs new lubricants to speed the product from producer to consumer. They are being supplied, in part at least, by new ideas

 **POSSIBILITIES** for reuse of the container add selling points to many products. Witness the recent retailing of onions and oranges in cotton sacks which later become dish-cloths, dust-cloths, mop pads; the new glass jar which stands either upright or tilted on display or pantry shelves and whose reusefulness is increased by the fact that an ordinary Mason jar lid fits its mouth; the retailing of bakery products in brightly colored cartons made up to represent small cottages and which, when emptied, delight the children; the packaging of cosmetics in a small leather traveling case with a mirror in the cover.

A **FOOD** product new to many sections of the country—fresh dates—is being introduced to family tables by a date growers' association. The growers found their date yields increasing, decided they had to tap a new outlet to dispose of their surplus. With merchandising of fresh dates decided upon, an advertising campaign was launched. Its first two months saw more dates sold than in any four before.

"**SOUP ASSORTMENTS**" packaged in transparent bags and sold at ten cents enable an Illinois grocer to dispose of odds and ends of vegetables—carrots, turnips, parsnips, etc.—broken from their bunches in handling. These are sliced lengthwise and packaged with a few green beans, peas, parsley, peppers or okra.

THE gas industry is going in for organized word-of-mouth advertising. "Tell them about Cooking-with-Gas," the American Gas Association has dubbed the campaign. The program calls for giving every employee of every gas company clear, accurate knowledge of gas cookery, modern gas ranges, the merits of gas as a cooking fuel. Every employee then tells his every friend.

A **CLEVELAND** lumber company, finding it difficult to attract customers to its suburban lumber yard, has opened a retail showroom in the smart shopping district.

MANUFACTURERS of household washing machines are finding a new outlet for their product in apartment houses. They are encouraging building owners to install washers

as standard equipment in the basements and also report that independent concerns are buying washers at retail and installing them in apartment buildings, getting their revenue from coin-operated meters.

FIVE electrical contractors in a southern town of 29,000 population staged a co-operative selling campaign which netted more than \$5,000 worth of new business in seven weeks. With modernization of home wiring as the campaign theme song, newspaper advertising, direct mail, personal solicitation were used, the last two on prospects selected from lists of customers of the local power company.

SEVERAL large department stores have erected model homes within their walls for the better display of house furnishings, etc. Now one has launched a 58-foot boat on one of its upper floors, a boat laden with "the latest cruise and resort fashions"—bathing suits, sweaters, beach pajamas, yachting outfits, travel ensembles.

A **SAN FRANCISCO** store aids dress-goods sales through an arrangement with several local dressmakers. The store advertises a flat price for making an ordinary dress, sends customers to the dressmaker nearest the customer's home. All work is done at the dressmaker's home; thereby the store escapes extra overhead, aids customers who desire dresses made by dressmakers yet who do not know where good ones may be found.

THROUGH a combined bridge party and fashion revue an Alton, Ill., store induced women bridge players to pay 25 cents each to see the store's new fashions. Local sorority girls solicited prizes from wholesalers and manufacturers, sold tickets, modelled garments. Style parades followed each three hands of bridge. Proceeds went to charity.

THOUGH a Detroit furniture store aids Cupid most handsomely, it reports the plan a profitable one. The store provides lovelorn couples free use of its chapel, music, flowers, services of a clergyman, wedding breakfast and cake and a wedding gift of a due bill good for \$25 worth of merchandise. While there are no strings to the offer, up until

last year 95 per cent of the couples furnished their homes completely from the store's stocks. Incidentally, while Detroit marriages have declined by more than half in the last two years, marriages in the store's chapel have increased.

A **NEW** discount arrangement, offered independent merchants, combines the Christmas savings and trading stamp ideas. The merchant enrolls his customers, gives them booklets in which to stick the stamps and thereafter a half-cent stamp for each 25 cent purchase. Sponsors of the plan sell the merchant the stamps—for cash. Customers mail their booklets direct to the sponsors in November; receive checks covering value of their stamps before Christmas.

VACANT store buildings on the nation's Main Streets are being turned to account by many neighboring merchants, who are renting the windows to display their own goods. National advertisers are also using these vacant windows to an extent. In one western city a corn-flakes manufacturer set up 99 window displays in 37 vacant store buildings as part of an intensive campaign.

A **METROPOLITAN** hotel is seeking daytime revenues from its rooms through a "day-room plan" for women shoppers from the suburbs. Rooms are offered from 9 a.m. to 7 p.m. at half the 24-hour rate. Advertising emphasized the advantages of a nap, bath, and a place to change gowns before meeting one's escort for an evening at the theater. Incidentally, the service doesn't include the privilege of receiving guests—even husbands—in the rooms.

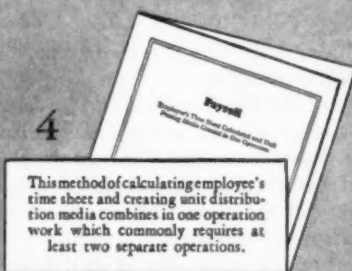
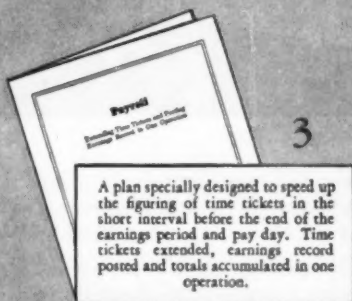
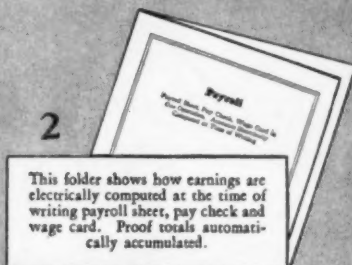
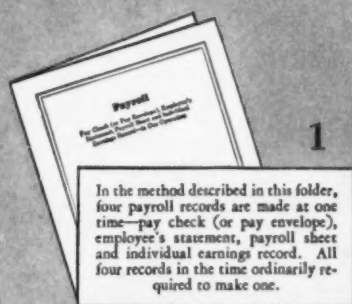
THE "For Rent" and "For Sale" signs which one English real estate man erects in front of his houses bear two small boxes. One box contains printed cards, the other is a letter box. A notice invites persons interested in the house to write their names and addresses on the printed cards and drop them in the letter box. The cards help to swell prospect lists.

GOOD-WILL builder: A Minnesota merchant supplies his employees with tickets which they hand out whenever making a purchase in another business place. Bearing the merchant's name, the ticket notes the fact that the purchase is being made by one of his employees and that "we are making it our business to help your business."

—PAUL H. HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.

TAKE PAYROLL ACCOUNTING FOR EXAMPLE



MAIL THE COUPON

ARE YOUR ACCOUNTING COSTS STILL TOO HIGH?

*One or more of these folders
may help you lower them*

To assist business to take full advantage of the economies made possible by newly developed Burroughs machines and features, Burroughs has prepared a series of folders.

These illustrated, descriptive folders are particularly interesting to executives who would effect still further economies under present-day conditions . . . and, at the same time, would have the work handled with greater speed, ease and simplicity.

The folders shown at the left cover Payroll Accounting and describe several ways to increase production, effect economies and speed up the work. Folders on various other phases of accounting are also available.

Merely indicate on the coupon the folder in which you are interested—or call the local Burroughs office.

Burroughs

Burroughs Adding Machine Company, 6223 Second Boulevard, Detroit, Michigan

Please send me, without charge or obligation, Payroll folders numbered _____
I am interested also in other folders showing improved methods of handling the applications I have checked:

☐ Figure Distribution ☐ Accounts Receivable ☐ Accounts Payable
☐ Stores Records ☐ Billing ☐ General Accounting

Name _____

Address _____

Credit Men Compare Notes

★ **THROUGH** a recently completed mercantile credit survey, data has been gathered which enables individual wholesale and manufacturing companies to compare their own credit experience with that of similar establishments.

Twenty-five lines of trade are covered by the survey, which was conducted by the Bureau of Foreign and Domestic Commerce of the United States Department of Commerce, with the cooperation of the National Association of Credit Men and its affiliated associations.

Some lose heavily on credit

MORE than 6,000 wholesale and manufacturing firms contributed data reflecting their credit policies, their figures covering the years 1928, 1929 and 1930.

These figures seem to indicate that, on the whole, the credit extended by such companies to retailers direct was on a sound basis, the Bureau says, but adds that the figures also indicate a lack of sound credit policies on the part of a number of companies.

Some of the latter companies had bad-debt losses two or three times as great as the average for firms in the same kind of business, while their collection percentages were half the average—which means that the number of days their accounts receivable were outstanding was twice the average and also that the amount of money on their books at a given time for the same volume of business was also twice the average.

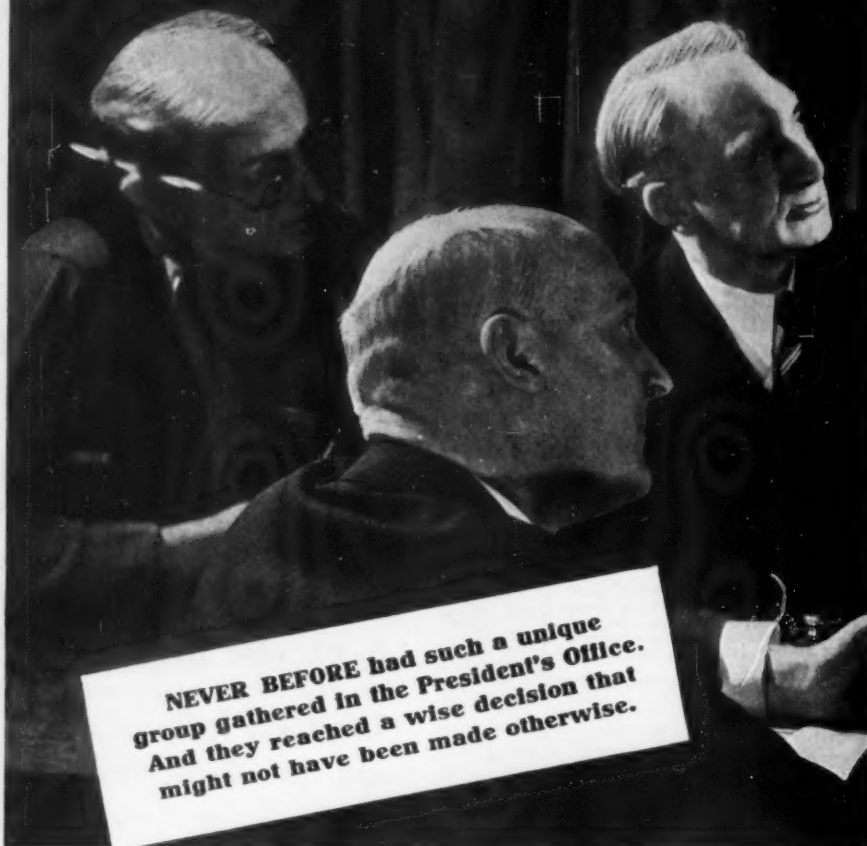
Their returns and allowance percentages were also two or three times too great.

The profits of such companies, the Bureau points out, were literally eaten up by the costs involved in carrying overdue accounts, in losses through uncollectible outstandings, and an unusually high percentage of returned merchandise.

"One of the effects of the type of management reflected in such figures," the Bureau adds, "is to nourish a group of inefficient retailers who are a wasteful burden in the distribution system."

The survey also indicates the important part played by credit in distribution. Credit sales of the 5,783 firms reporting on the subject for the three-year period were 90.7 per cent of total net sales in 1928, 90.4 per cent in 1929, and 89.4 per cent in 1930. Of the 5,783 firms, 1,371 or 23.7 per cent, did 100 per cent credit business.

The most unusual he ever held



NEVER BEFORE had such a unique group gathered in the President's Office. And they reached a wise decision that might not have been made otherwise.

HERE IS A LETTER—an interesting and revealing one—we recently received from a midwest manufacturer. It's about a conference—Mr. Kent calls it the "most unusual conference he ever held." We know of none other like it. He writes:

"A YEAR AGO we rented our present space. Everything was in good order, except the flooring which somewhat spoiled the appearance of our offices.

"Moving furniture in, shifting partitions, and other office changes did added damage. New flooring was essential.

"Our P. A. called in flooring salesmen—read through scores of catalogs and hundreds of folders. And ended up in a

maze. 175 manufacturers making 20 different types of flooring each claimed his was the best. We needed first-hand facts.

"I tried an experiment. Called a conference . . . the most unusual one I ever held. *It included the charwoman, the handyman and the porter!* They were the real experts at this meeting!

"Mrs. Moriarity, the charwoman, hesitated, then spoke up. 'You want it good lookin', but if you're asking my advice, Sir, choose a floor that's easy to keep clean—like the one in the Conference Room. Everywhere else I'm scrubbin' and polishin' all the time and still them other floors don't look right.'

"'That's right, Boss,' old Sam, the porter, broke in. 'That's the best floor we



Johns-Manville

When writing to

conference



got. It don't get all scratched up, either, when I moves the furniture around. That's a lastin' floor, boss.'

"I turned to Harry, the handyman. 'It's a lasting floor in more ways than one,' he said. 'Once I had to move a partition in that Conference Room. The marks it left would have ruined most floors. But all I did was replace a few of those tiles. *That's* a floor I like . . . easy to repair if it ever does get damaged.'

"I decided on first-hand 'research.' We all went into the Conference Room. Tried to make that flooring burn. It wouldn't. Poured ink on it. It wiped right off. Even acids didn't stain it. And it certainly was good to look at.

"We called the building owner. He told

us what kind of flooring it was. That's why I'm writing you this letter now. We want to refloor throughout with the same kind of J-M Asphalt Tile."

Maybe you're not even thinking about flooring now. But next year you may have to buy. Why not send for this folder . . . have ready in your files the carefully prepared data Johns-Manville offers you free. It may save you hours of fruitless effort and needless expense.

Just fill in and mail the coupon now.

(J-M PRODUCTS include every approved type of heat and cold insulation; the most advanced acoustical materials; asbestos, asphalt and other roofings; "Rock Wool" for all building insulation; friction materials, etc.)



Johns-Manville, 292 Madison Avenue, New York City
Please send me the illustrated folder, "Underfoot Overhead," and full descriptive details about J-M Tile Floors.

Name _____

Street _____

City and State _____

INB-5

{ controls HEAT, COLD, SOUND, MOTION
... protects against FIRE and WEATHER

What the Farm Board Did to Cotton

By WALTER PARKER Market Economist

★ IN the last presidential campaign the Farm Board found itself to be an orphan child. The democratic candidate, Mr. Roosevelt, said:

"The effort resulted in squandering hundreds of millions of the taxpayers' money. Farm Board speculative operations must and shall come to an end."

The republican candidate, Mr. Hoover, said:

"Experience has shown that the patent weakness of such action is the damaging aftermath which accompanies disposal of these products. I am convinced that the Act should be revised in the interest of the farmer and this proposal should be repealed."

Hindsight is proverbially good and we may assume that we shall, while living men's memories are strong, see no effort to stabilize prices along the lines of the Farm Board's effort.

What happened to farm products, particularly to cotton, a commodity in which I am most interested, while the Farm Board was in action?

That's a fair question though it must not be assumed that I am laying all the farmers' troubles to the activities of the Board.

A little history

LET'S go back over a little recent history:

During the World War the farms of the United States were called on to feed additional millions of people. Production gained impetus.

The United States Department of Agriculture expanded its crop promoting work. In every county the Department placed an agent to speed up production.

That endeavor is being kept up, even today.

In the presidential campaign of 1928, farm distress and farm relief became



United States cotton dropped from 18 cents a pound in 1928-29 to five cents in 1931-32



A BRIEF study of our price-fixing efforts and their results in the cotton industry by a man whose long experience in that industry qualifies him to describe conditions and to comment

acute political issues and promises were made.

The Federal Agricultural Marketing Act and the Farm Board were the result.

Both the farmers and the operators of the Farm Board erroneously assumed that the farmer's plight was caused by the marketing system, when none of the farmer's ills was traceable to that system.

Nevertheless, at a time when the farmer needed the full buying and distributing power that an orderly and efficient marketing system was capable of generating, the Farm Board and its subsidized allies began lending money in excessive amounts and with inade-

quate security; promising higher prices; advising farmers not to sell even though the market was ready to buy; manipulating the future hedge; forcing the re-importation of cotton already exported; driving merchant buyers to the side lines; attempting to coerce world buyers into paying more than the world price; piling up the largest concentrated surplus ever known; attempting to destroy the buying power of an efficiently organized trade; pleading with cotton farmers to plow up every third row of then maturing cotton, and, in the end, turning to the Reconstruction Finance Corporation for a \$50,000,000 loan to save the whole top-heavy thing from collapsing.

Selling less cotton

BEFORE the Farm Board began its attempts to reverse the economic wheels of the world, the United States supplied (1928-29) 59 per cent of the cotton consumed by the world; after one year of the Farm Board (1929-30) the United States supplied only 52 per cent; after two years (1930-31) only 49 per cent.

In the meantime, the value of United States grown cotton dropped from 18 cents a pound in 1928-29, to five cents in 1931-32.

But more significant, United States grown cotton lost the normal premium of 20 to 40 points over Indian cotton, at which it had always sold, and in December, 1931, sold in the world markets at a discount of 106 points under Indian cotton.

At first, the subsidized allies of the Farm Board were able to draw farmers' cotton to their pools because of the excessive loans made on such cotton by the Board.

Such loans became impossible in the season of 1931-32 because the Board

Here is one monthly bill you will pay willingly—your bill for security



Metropolitan Life's contracts afford a means to

- create estates and incomes for families
- pay off mortgages
- educate children
- provide income in the event of retirement
- establish business credits
- stabilize business organizations by indemnifying them against the loss of key-men
- provide group protection for employees covering accident, sickness, old age and death
- provide income on account of disability resulting from personal accident or sickness.

Metropolitan policies on individual lives, in various departments, range from \$1,000 up to \$500,000 or more, and from \$1,000 down to \$100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

"ONE of the frequent pleasures in my work is to have a man tell me it is a satisfaction to pay his bill for security, because the money comes back.

"You are looking ahead. So am I. Now I am going to prophesy what you will say to me some day.

"You will tell me that you did the smartest thing in your life when you arranged to buy this protection for your family and yourself. And you will say you did not see, at first, how you could do it on your income."

The Field-Man could have prophesied further. He knows of the thousands of enthusiastic letters which have come to his Company from people who have

paid their final bills for security and are able to retire and enjoy their leisure. Through this means they had assured themselves of definite incomes on which they could live comfortably for the rest of their lives. Regularly, each month they receive their checks from the Company.

You may be agreeably surprised to know how much security you can now get through moderate monthly instalments. And for your convenience you can pay your bill for security to a Metropolitan Field-Man on the same day each month.

A Metropolitan Field-Man will be glad to show you how much security you are able to buy on this modern, convenient plan. Send for him. He is at your service. Or use the coupon.

Metropolitan Life Insurance Company,
1 Madison Avenue,
New York, N. Y.

—N

Without obligation on my part, I should like to know how to buy security for my family and myself—paying for it on a monthly basis.

NAME _____

ADDRESS _____

CITY _____

STATE _____



METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT . . . ONE MADISON AVE., NEW YORK, N. Y.

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Detex offers the only complete line of Watchmen's Clock and Supervisory Systems. It includes Magneto Recorders with Flush and Surface Type Generator Stations, and Dials—Portable Clocks—4 Models—with Flush, Surface and Storm-Proof Stations—Keys and Dials and all Accessories—also single Station Guardian Clocks and Police Registers.

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WATCHMEN'S CLOCKS

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had lost most of its half billion dollar fund. The regular pools having become unpopular because of severe losses sustained by the farmers who used them, a new scheme of attracting cotton had to be devised.

The "immediate price fixation pool," a thinly disguised merchandising scheme, was then set up through the aid of the Farm Board.

Congress never intended that the cooperatives should use tax money for merchandising purposes. In any event, Stanley Reed, general counsel to the Farm Board, long ago warned both the Board and the cooperatives against such practices.

He said:

"In commodities which can be promptly hedged, the danger of market fluctuation is minimized, but the merchandising risks involved in premium and basis are a continuous threat to the solvency of the cooperative which undertakes to buy its members' product when it, itself, is without adequate capital arising either as subscriptions or reserves."

The taxpayer pays

HOW these cooperating merchandising operations work out is illustrated by a transaction, of which there appears to be a complete record.

One of the chief complaints made before the Shannon Investigating Committee by the cotton trade, against Government and Farm Board subsidized merchandising operations, was directed at the character of classification resorted to, which the cotton trade asserted was often faulty, entailing severe losses to the taxpayer and resulting in unfair competition.

Joseph A. Airey, cotton merchant of New Orleans, testified that the subsidized cotton cooperative bought a lot of 58 bales at Lake Providence, La., which was paid for by the cooperative on its own classification, but which was later classified by the Board of Cotton Examiners in New Orleans, which is part of the United States Department of Agriculture. The two classifications were:

Staple	Bales	
	Cooperative	Government
15/32	21	0
11/8	27	14
13/32	5	6
11/16	4	27
11/32	1	3
1 inch	0	2
31/32	0	1
15/16	0	3
29/32	0	1
7/8	0	1
	58	58
Grade:		
Strict Middling	11	18
Middling	31	24
Strict low Middling	13	12
Low Middling	3	4
	58	58

Staple of 1 $\frac{1}{2}$ inch length commands a relatively high price.

According to the testimony given the Shannon Committee, the cooperative paid for 21 bales of 1 $\frac{1}{2}$ inch staple, when an official classification later showed there was not even one bale of such staple in the lot.

Mr. Airey and other merchants, who testified before the Shannon Committee, asserted that, since taxpaying merchants must pay all losses occasioned by errors in classification, they cannot hope to compete where the losses resulting from such errors in classification as reflected in these tables, are paid by the taxpayers.

The farm board record

THIS then is the Farm Board record:

Far from helping the farmers, the Farm Board régime has left the farmers in the worst plight they have ever known.

The farmers needed larger markets. The Farm Board's policies restricted the remaining markets.

The farmers needed to be discouraged from planting large crops. The Farm Board encouraged them to plant to their maximum capacity.

Foreign and domestic buyers needed every possible encouragement it was possible for them to have. The Farm Board discouraged them.

The farmers, and everybody else, desperately needed lower taxation. The squandering of half a billion by the Farm Board, without any compensating benefit added to the heavy burden of taxation.

In addition to the market handicapping policies of the Farm Board and its subsidized allies, agriculture in the United States, particularly that portion which is organized to produce a surplus for export, suffers most severely from two adverse conditions.

The change in our marketing

FIRST, there is the long period during which the American farmer bought tariff protected manufactured goods with money obtained from the sale of agricultural products in unprotected world markets.

Next, there is the sudden and unprepared for change in the economic status of the United States from pioneer-debtor to the position of world's largest creditor nation.

All our laws, regulations, handicaps on business, tariffs, costs of government, even our habits of life and attitudes, are and have been geared to a debtor nation status.

They just won't work in a creditor nation environment where every man-imposed obstacle to free flowing commerce becomes an element of economic suicide.



FOUND!

THE MISSING PIECE

How to reduce production costs? How to preserve profit margin in the face of today's lower prices? These questions present an apparently insolvable puzzle to many manufacturers today.

What would you give to find the missing factor that would solve the puzzle of lower production costs in your plant? Would you be willing to spend money to make money?

It has been done, it is being done by a number of manufacturers in varied industries through the help of Special Production Machines. Our job is to lower production costs by designing and building special machines to meet special needs; to improve the performance of your existing ma-

chinery; to discover production "short cuts" by applying our wide and specialized knowledge of automatic machine building and operation to *your* specific problem.

Every production picture is different, and it is in solving "different" production problems that Special Production Machines has proved its value to industry. Write us. It will not place you under any obligation but it *will* bring you further facts to judge the possibility of our being of service to you. Special Production Machines, 67 Newport Avenue (Norfolk Downs Station), Quincy, Massachusetts.

Special PRODUCTION MACHINES

A Division of PNEUMATIC SCALE CORPORATION, LIMITED

For over forty years, Pneumatic Scale Corp., Ltd., has manufactured automatic labor-saving machinery for many of the world's largest producers of merchandise



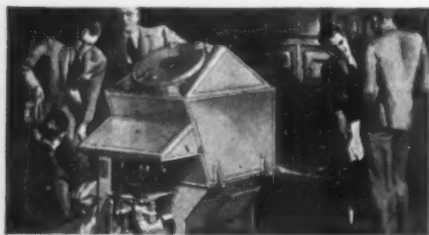
IRON FIREMAN

is a self-liquidating investment

Owners realize a return of
39.44% annually*

● When a man installs an Iron Fireman Automatic Coal Burner in his home or business he gets steady heat or power regardless of weather or load conditions. This feature, plus automatic operation and smoke elimination, more than justifies the expenditure. Yet beyond these advantages is the fact that Iron Fireman makes substantial savings over former fuel bills. *A national survey of Iron Fireman owners showed average yearly fuel savings of 31.62%, equivalent to a return of 39.44% annually on their original investment in Iron Fireman.

Such savings cannot be ignored. What was the 1932 fuel bill in your business or home? Would a 15% to 50% reduction be welcome? Iron Fireman installations in your buildings should produce substantial economies in addition to improving heating or power plant performance. The Iron Fireman dealer will gladly make a free survey and give you the facts as they apply to your own case. Iron Fireman can be purchased on easy monthly terms. Use the coupon for survey or literature.



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Business Must Get Up to Date

(Continued from page 25)

and plant facilities have dropped from the average normal annual outlay of \$5,000,000,000 to a yearly total of \$1,260,000,000. This is one of the major factors contributing to the paralysis which now besets American industry.

That obsolescence is no respecter of good times is the bald conclusion directed by the *American Machinist's* 1930 survey of machines in metal working plants throughout the country. Of the machines reported, 48 per cent were ten years old or older, as against a general average of 44 per cent in 1925.

A breakdown of the 1930 figure shows that, in agricultural implement plants, 55 per cent of the equipment is more than ten years old. For railroad repair shops, locomotive works, and car shops, the per cent is 72.5; for typewriter, calculating machine, and cash register plants, 73.3; iron and steel products, except machinery, 47.6; textile machinery builders, more than 55; non-ferrous metal products, 44; electrical equipment works, 46.

In the construction equipment plants, the survey revealed 52 per cent of the machinery more than ten years old; the "hydraulic, mining and oil well" category showed 40 per cent; job shops, 43; engine makers, 51; food machinery makers, 46; motor vehicle body and parts makers, 23; woodworking machinery plants, 57; conveying and transmission equipment, 51.

While it may be argued that these figures do not reflect present conditions, it is not believed that subsequent replacements qualify the general conclusion.

As would be expected, the newer industries reported the lowest levels of obsolescence. Aircraft and aviation engine makers were using machinery 96.4 per cent of which was less than ten years of age. Only 28 per cent of the machines in motor vehicle plants was more than ten years old; for automobile body and parts plants, the figure was 23 per cent.

Looking at it geographically, 63 per cent of the machine equipment in the New England States was at least ten years old. For the Pacific Coast, the figure was 37 per cent; for the southeastern states, 53.0; for the North Central region, 41.0 to 51.0; and for the South Central, 43.0.

A survey made by *Engineering News-Record* reveals that contractors consider 37 per cent of their equipment in good condition. They say 57 per cent of their equipment is in only fair condition. They consider six per cent to be depreciated. Among other things, those

figures mean that this year's equipment sales will be primarily to contractors who can be convinced that new equipment can do the job more economically than the equipment now in use.

Time and again it has been said that this or that industry was operating at a shadow of its rated capacity—and perhaps, no bogey of the depression has been more discomfiting to optimism or more thoroughly fraudulent. Here's a case in point.

In December, steel making operations were reported at "15 per cent of capacity," says *Steel*. This percentage is based upon an annual capacity of 67,473,630 tons as of December 31, 1931. Under present conditions, only the cream of the open-hearth Bessemer and electric units is truly potential capacity. A large part of the 67,473,630 tons represents furnaces that are hopelessly out of the running in today's market. The more one studies the physical facilities of steel in industry, the more one is convinced that the real excess capacity, if any, is far less than is generally believed, and that the rate of abandonment of obsolete capacity has been too slow.

More capital goods needed

ANOTHER doleful premise in the depression psychology is that private industry will not employ credit or new capital, and that the Government must employ it to relieve the situation; but, while the fiscal uncertainties exist, there is hardly a fair test of private enterprise. The National City Bank resolves the situation by saying:

"Without doubt, business improvement would move rapidly if it could be extended to the heavy industries making 'capital goods,' buildings, machinery, and other facilities for raising the standard of life. Moreover, it is said that the country is overequipped and that capital investment is not needed, but at best this is no more than half-truth, in view of the wear and tear of the past three years, the scrapping of plant and machinery and, above all, the mounting obsolescence of the equipment in place."

Even in the old industries, the bank believes, new capital could well be used to reduce costs and prices.

The magazine *Coal Age* estimated in January that at least \$125,000,000 could be spent profitably for new or modernized cleaning and preparation plants alone. Without doubt similar statements can truthfully be made as to the textile industries and others, illustrating that the barrier is not on the demand side, but lack of confidence on both sides.

Impressive as are the operating economies made by railroads, obsolescence

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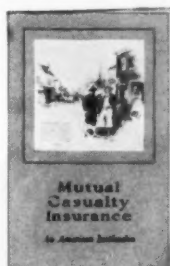
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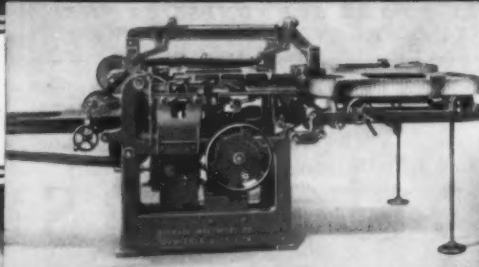
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continues to weigh heavily on earnings. Going back to prosperous years, an inquiry by a great banking house disclosed that at the end of 1929, approximately 61,000 locomotives were in service on the railroads (including about 600 electric and 100 internal combustion). Of these only 12,812 or 21 per cent had been built within the previous ten years, and only 40,000 or 65 per cent within the past 20 years. In other words 35 per cent of our railroad motive power was more than 20 years old.

On December 31, 1928, the 171 Class I roads (which constitute approximately 95 per cent of the total mileage of all public service steam railroads) had 59,432 steam locomotives in service, of which only 10,941 or 18.4 per cent were ten years old or less, and 29,191 or 49.1 per cent were 20 years old or less. Only 3,920 or 6.6 per cent had been ordered in the five years 1925-1929. Eighteen of the largest railroads, having more than 1,000 locomotives each, had a total of 33,925 locomotives of which 6,618 or 20 per cent had been ordered in the past ten years.

At the rate of building in the years 1925-1929, averaging 892 locomotives annually, the bank figured it would take 67 years to turn over the inventory!

More efficient locomotives

IN THEIR own behalf, the railroads report that locomotives in service on the Class I lines numbered 55,400 in 1931, a reduction of five per cent below 1911, and a reduction of almost 10,000, or 15 per cent, below the peak figure of 65,358 locomotives in use in 1924. This cut has been made possible, in part, by replacing old and obsolete engines with new engines of greater power, while traffic losses have also been important.

Certainly the increase in power is a forceful determinant in this reduction. From 1911 to 1931, the average tractive power per steam locomotive was raised from 28,305 to 45,800 pounds.

One thing is certain. American industry is in position to share the feeling of the man who learned about obsolescence by listening to the hardening of his own arteries. If obsolescence is dubiously audible, it is no less the stealthy certitude. True, it sometimes strikes quickly, as the sudden waning of a fad or style with invalidation of special machinery.

A much longer business ordeal must be faced in progressive obsolescence—"the little changes," as a technical observer puts it, "that are made day by day whereby the product or plant gradually, invisibly, yet surely slips into the limbo of the superseded."

Obsolescence is the sabotage of time.

The only way to nullify its aging touch is to renew and replace. And never were occasion and opportunity better joined for checkmating the clock. Time is also the greatest innovator.

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The Map of the Nation's Business

By FRANK GREENE of Bradstreet's Weekly



Business Conditions
as of February 1

CERTAIN business factors in January compared favorably with those of a year ago—the first such condition to prevail in more than three years past

★ JANUARY was an irregular and, in some respects, a disappointing month. The weather did not help business much. Temperatures were perhaps ten degrees above normal in wide areas and there was little snow except in the spring wheat region and on the Pacific slopes of the western mountains.

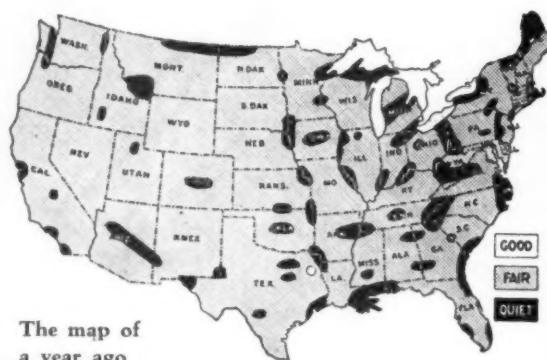
The share and bond markets held their slight earlier gains of about $2\frac{1}{2}$ points to the close but numerous reductions or passings of dividends wiped out most of these price gains in early February. Stock-market sales were the smallest since late in 1920. Bank failures flared up again, more than 210 occurring in January. This was slightly fewer, however, than in January 1932. Totals of all business failures also continued well below those of the like month a year ago.

Commodity-price indices moved downward, breaking through the June resistance point to a new low for the present depression. Responsibility for this seemed to rest mainly with the weather which encouraged the production of milk, butter and eggs. Textiles and leather also went off in price somewhat but wheat, corn and live hogs held most of their early gains and did better than during the late months of last year. Of all the crops, tobacco did relatively best with good sales and gains of 20 to 40 per cent in prices over the preceding year.

Raw silk was weak. Raw cotton fell off in January but



The map of
last month



The map of
a year ago

Above-normal temperatures in January were partly responsible for commodity prices breaking through the June levels to a new low for the depression

Let's stop this Annual Sacrifice to MOLOCH!



Moloch — the fire god of Phoenicia — was an iron statue with a human body, the head of an ox, and extended arms. The statue is said to have been heated by fire placed in the lower part, and children were placed as offerings in the arms.

WHEN the last human sacrifice had been made to pagan Moloch, and a more humane civilization dawned . . . the inhuman cult of Moloch did not die.

Even today there is still a vicious band of his disciples at large—contemptible criminals, *firebugs*, *arsonists*. They go about deliberately setting fire to homes, hotels, apartments, factories . . . sometimes their own, sometimes others . . . and every year they sacrifice to fire thousands of dollars' worth of property—hundreds of innocent lives.

What can be done to stop this? Ask your state legislators if your State has enacted a Model Arson Law. Learn whether your city has a competent and active Arson Squad to investigate fires. Find out if your police forces are active in running down firebugs and your prosecuting attorneys vigilant in convicting them. *WHY?*

Because you have a financial interest in preventing arson. Every dollar's worth of property

destroyed by arson increases the cost of your fire insurance, because every business must charge enough for its goods to cover bad debts.

Remember also that property destroyed by fire or otherwise, is no longer available for tax assessment. Therefore, such destruction increases taxes on the remaining property. Thus you have a double interest in preventing arson or destructive fires from whatever cause.

If your State has not adopted a Model Arson Law, or is indifferent to the crime of arson or to fire prevention generally, it must be because the effect of destruction of property by fire is not fully understood.

If you would like further information—write us for the interesting booklet, "The Crime of Arson."

Published in the public interest for a better understanding of the service of stock company fire insurance, by The National Board of Fire Underwriters, 85 John St., New York, N. Y.



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steadied early in February. Cotton fabrics tended downward as output continued to exceed last year. Less coal was used and bituminous grades declined in price, but steel output rose slightly from the depths of December dullness.

Petroleum continued to disappoint its friends and prices of crude were cut heavily. That overtaxed product, gasoline, sold well despite immense state and national imposts.

The railroads, more because of stringent economies than of increased traffic, reported in December the first gain in net income over the like month of the preceding year since midsummer 1929. The railways in 1932 certainly bought less than for more than a generation past but they are expected to increase their purchase in 1933. Strikes in auto-body works temporarily interfered with the Ford output.

Lack of snow in the western winter-wheat belt leaves the grain there peculiarly open to damage and partly explains its price strength. Hope of congressional action is another source of support. The small crop indicated for 1933, if realized, may prevent a flood

of new grain being added to the record surplus carried over last July. The key to the situation is of course the action of the spring-wheat farmers in the spring.

Marked changes in wheat and flour trade trends point to new channels and newer competition among the leading export countries. The rise of Australia to first place in export of flour in 1932 strikes a new note.

Retailing has cut expenses

ON the whole, January brought things for which to be thankful as well as sorry. Wholesale trade picked up a little but retail trade fell below expectations. Department-store sales dropped off as much as in December. There are those, however, who say that the past year saw progress in retail housecleaning which should prove profitable once public buying improves.

Industry expanded seasonally and collections picked up a trifle.

All in all these four business factors combined seem to have come nearer to equalling or surpassing conditions in the like month a year ago than for more than three years.

"First Thing in the Morning"

By RONALD FOXCROFT

✓ HE LIVED on and ran a big dairy farm till he was fifty-five, hustling from early morning till late in the evening. He had to drive himself and his hired men to get the milk from forty cows ready to go at 7:15 a.m. He got in the habit of pushing his farm work along by telling his men to do everything "right after dinner," or "the first thing in the morning."

At 55 he sold his farm, moved to his market town, and bought a feed store. There he and his three employees didn't get to work till the scandalously late hour of 7:00 a.m.

Doing everything first

NOW he feels that he must push everything along to make up for this late starting hour. Naturally he retains his old passion for telling his employees to do everything "the first thing in the morning." He never says "sometime this morning" or "when you conveniently can." His old habit leads to friction and irritation among his employees, and sometimes works to his own disadvantage.

For instance, a farmer living east of town will put in an order for feed to be delivered some time the next day; and a farmer living west of town will order some feed to be delivered the first thing the next morning. But the dealer directs his truckman to deliver both "the first thing tomorrow morning."

Since his truckman knows his habit, he discounts the orders somewhat in his own mind, and is likely to deliver the wrong order first, thus failing unintentionally to give the rush order proper attention.

The dealer's custom works to his disadvantage in another way, by piling up needless delivery costs. His employees—especially the truckman—pick up many orders from his regular customers. In most cases the customer says, "Bring it tomorrow or next day," or "Sometime the first of the week." The dealer's truck will carry two tons; and most of his orders are in lots of a ton or less.

The truckman if left alone would fit in the optional deliveries with those where a definite time is set. The dealer's habit of rushing things in the early morning frequently interferes with the truckman's plans to save needless travel. He will have to make a rush delivery east, then one west, on the dealer's strict orders, though these customers may not have asked for rush service. After that the truckman covers much of the ground a second time to deliver the feed which has been ordered from him.

The employees have tried repeatedly but in vain to get the dealer to change his custom. He goes right on ordering everything done "the first thing in the morning." His persistence in this is the source of constant friction and ill feeling in his business.

Small Business Has Its Day

By CARTER D. POLAND President, Poland Soap Works

"THE next decade," says Mr. Poland, "will offer many advantages to the independent manufacturer." He tells here how his own plant expects to seize its opportunities

★ BACK in the "new era" days early in 1929, independent manufacturers, myself included, were assured that "big business" was so efficient that manufacturers who refused to participate in the mergers then being widely effected would be put out of business.

I went on record at that time as preferring to stay unmerged. I further declared that I would not be put out of business.

Today, four years later, I am still unmerged and unscrambled. I am still in business and, so far as present conditions permit, I am still the maker of my own destiny.

My convictions concerning "big business" and small business have been, if anything, strengthened by my experiences and those of others in my industry.

Let me make clear, however, my use of the term "big business." I use the term simply for lack of a better one. In no sense do I mean to reflect on any kind of a business simply because it operates on a large scale. Rather I am using the term to describe enterprises in which financing and promoting ability, rather than manufacturing skill, was the dominating factor.

Many of the mergers in 1928 and 1929 come under this definition of "big business." They were direct outgrowths of another "new era" idea—that the time had come when tangible assets no longer constituted the real worth of an established business, that good will was often a greater asset than more tangible things which represented capital investments. Under this conception of affairs "good will" often was used as a platform upon which to rear fantastically fictitious values. It was the old story of something-for-nothing, of expecting to reap a fortune from a long shot. Hoped-for earnings were calculated as being so secure that they could be counted. Bankers became stockbrokers, and found this

kind of business more profitable than banking.

But as a general rule bankers have never been good industrialists, and at the time I saw no good reason to believe that there had been any change in that rule. Events bore out my conviction. Stocks must establish their worth through dividends earned in operation, and not merely by rising in value. The new banker-industrialists found themselves unfitted for the task of making their stocks earn dividends. They found further that economies envisioned as a result of mergers had repercussions. Economy programs at the outset brought about the dismissal of thousands of minor executives and office workers. Mass-production machines supplanted many workers who joined the growing army of unemployed.

Big business hurt itself

THE machines flooded the market. Warehouses became clogged with unsold goods. The machines finally had to stop; their operators joined the unemployed. Big business found itself overloaded with unsold goods, the potential market narrowed by unemployment, and the stock market no longer productive of profits from the sale of stock.

Big business was desperate. Stockholders were clamoring for dividends and the destruction of confidence was reflected in tobogganing stock prices.

But meanwhile big business had dug still another pit for itself. Chain stores, to which big business had sold at low prices to obtain volume, had been operating on cut-price bases. Many independent merchants, to whom big business had sold at higher prices to obtain profits, were bankrupt or on the brink of bankruptcy. Jobbers had been largely eliminated—big business felt that it did not need them. This might have been a good policy in the drop-shipment days,

but later, with hand-to-mouth buying prevailing, big business needed wholesalers to purchase and carry stocks of merchandise. By so doing they would have helped big business to finance itself and lowered sales costs.

These are a few of the many mistakes big business made. It proceeded along lines which I regarded as basically unsound; its every plan was calculated to bring immense wealth to a few and poverty to all the rest.

In the light of this record, why should the independent manufacturer fear big business? I never have myself, because I have always considered big business too egotistical and too conceited to heed my existence so long as I did not try to beat it at its own game. I have never tried to do that.

The independent manufacturer has his own game to play. So long as he plays it, he need not fear big business. He must first of all avoid any feeling of inferiority. He must realize that he himself is the leader, and big business the follower. The independent manufacturer pioneered the way, promoted, fostered and built up the commerce of this country. He is still doing it. His success—and he must understand this—is in his own hands. He must also understand his own limitations, and stifle the urge to become nationally known until he can become so from the profits made by doing business in his own, natural, nearby territory. Overexpansion is always fatal.

In lines such as mine, for example, it has generally been true that the most satisfactory operation is to establish a plant to take care of the needs of the home folks, then to reach out far enough from home to obtain the volume necessary for economical production and to remove the stigma of being a purely local concern preying on the local community. We ourselves have always kept our activities within a radius of about 500 miles. In this field we are as well and as favorably known as any of our competitors and are doing at least as much business as any of them. We have by no means exhausted the opportunities in this field and, until we do, we have no intention of trying to spread out.

The independent manufacturer must also understand that he cannot compete with big business on price alone. Ordinarily he cannot afford the machines of

(Continued on page 57)

What the Chamber Has Been Doing

Congressmen Hear Business' Views on Fiscal Policies

★ RECENT activity of the National Chamber has centered chiefly upon the national fiscal situation. Upon the basis of reports by the Committees on Federal Taxation and Expenditures, the Chamber has urged the balancing of the budget by reducing expenditures rather than by tax increases. The Chamber has brought to the attention of Congress a specific program of retrenchment proposing a reduction of \$800,000,000 in federal expenditures.

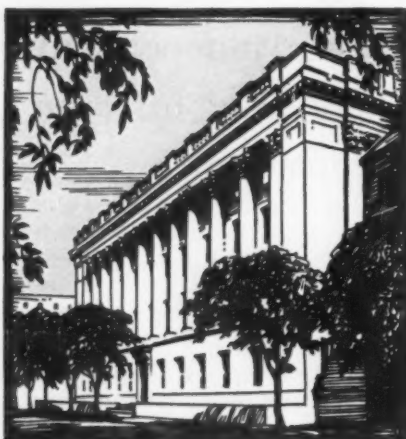
Henry I. Harriman, president of the Chamber; Matthew S. Sloan, vice president and chairman of the Committee on Federal Expenditures; and former Governor Redfield Proctor of Vermont, chairman of the Committee on Federal Taxation, presented the Chamber's views to Senator Frederick Hale and Representative Joseph W. Byrns, chairmen of the congressional appropriations committees.

President Harriman told the legislators that convincing evidence of intention to reduce government expenditures would give industry and commerce the stimulant needed to start on the upgrade. Vice President Sloan outlined the Chamber's proposals. They include a \$250,000,000 reduction in expenditures for construction purposes; \$400,000,000 reduction in veterans' benefits; \$50,000,000 reduction in non-recurring items; and \$170,000,000 reduction in expenditures of departments and independent establishments. These reductions total \$870,000,000, Mr. Sloan pointed out, which would allow for \$66,000,000 increase in public debt service and still permit an \$800,000,000 net saving.

Protection from cheap currency

CHAMBER views on another subject of importance to business were laid before Congress by James A. Farrell, chairman of the Chamber's Foreign Commerce Department Committee. Appearing before a sub-committee of the House Ways and Means Committee Mr. Farrell urged immediate legislation to protect American producers and manufacturers against the destructive effects of imports from countries having depreciated currencies.

He pointed out that the Chamber first



directed attention to this subject in December, 1931, and had frequently emphasized its position since that time. Although the Chamber has prepared no bill to meet the situation, Mr. Farrell outlined for the sub-committee six principles which his committee feels are important in this connection:

1. Legislation to meet this situation should apply to countries having currency depreciation amounting to five per cent or more from their par value.

2. A charge sufficient to compensate for the amount of currency depreciation should be placed upon all imports, both dutiable and free, with certain exceptions.

3. There should be adequate safeguards against the shipping of depreciated currency products through third countries.

4. The possibility of increases in a foreign country's wholesale prices and wage scales because of currency depreciation should be recognized and the Treasury Department or Tariff Commission should be authorized to consider this influence in fixing customs charges.

5. Compensating charges should not apply to products which are not produced in the United States in quantities of recognized commercial significance.

6. Since the application of existing *ad valorem* duties to a depreciated currency base constitute a serious loss of revenue to the Government, the existing *ad valorem* duties should apply to the depreciated values plus the compensating depreciated currency charge.

Mr. Farrell estimated the new revenue which might be expected from the proposed legislation at more than \$110,000,000.

President Harriman also addressed a

letter to the House Committee on this subject.

In another letter to Congress, President Harriman reiterated the National Chamber's opposition to efforts to undermine the present merchant marine policy of the United States. Holding that the purpose of the 1928 Act to award mail contracts is not intended merely to pay for transporting the mails but primarily as compensation for maintaining essential American flag shipping services outside our tariff barriers which would otherwise be impossible in the face of competition from foreign shipping, he said:

Experience of the decade following the war taught us that ownership and operation by the Government is both undesirable and costly. The actual costs were much greater than under our present system and the results were greatly inferior.

While the Chamber was presenting its views on these two subjects to Congress, the Chamber membership was expressing itself on two other important matters. The referendum vote on the proposals for strengthening the banking system closed January 25. Of the 16 proposals put forward by a special committee, 15 were approved.

The proposal on branch banking lacked a few of the necessary two-thirds vote. It recommended legislation to permit national banks, able to meet requirements as to capital and management, to establish branches within their states without being subject to restrictions of state laws applicable to branching by state banks. This leaves the Chamber in the position of neither advocating nor opposing such branching.

Federal legislation providing regulation of group banking was one of the proposals accepted.

Proposals for modification of the debt agreements between the United States and foreign governments, formulated by a special committee of the Chamber, have received the sanction of the membership by referendum vote. These proposals disapprove of cancellation of the debts but suggest modification upon certain conditions relative to trade concessions and reduction of armaments.

Two reports designed to be of especial help to business and industry have been

(Continued on page 57)



Good Re-Design Clearly Reveals Sound Construction

Re-design is not something you can smear over a finished product like a coat of paint; it is the building up of a well organized relationship between materials and the functional use of manufactured products.

Such a relationship is provided by the use of the light, strong

alloys of Alcoa Aluminum for Pullmans, Gondolas, Refrigerator and Tank Car Units. Here you have the combination of a metal that is strong to bear burdens . . . yet light to move since it is only $\frac{1}{3}$ the weight of steel yet possesses equal tensile strength. Being also an excellent conductor of heat and electricity and resistant to corrosion, the scope of use of Alcoa Aluminum is increased. It is practical for products as widely variant as washing machines, clocks, cameras, lighting fixtures, radios.

Walter P. Reuther

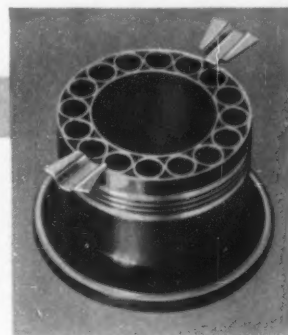


Aluminum Booms . . . Down Costs . . . Up Profits

Varying in length, 110, 135, 140, 155, 170, 175 feet, lots of Drag Line Booms, made of Alcoa Aluminum, are now at work . . . handling buckets that bite up to 7 cubic yards of earth . . . which represents, fully loaded, a lift of over 18 tons . . . moving 150,000 cu. yds. a month . . . netting savings up to 2.53¢ each cu. yd. Drag Line Buckets too, are made of Alcoa Aluminum. Results . . . cleaner dump . . . 33% increase in capacity of moderate size drag lines.

Color Now Added . . . Integral with Aluminum

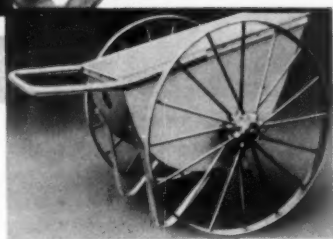
By a new process, called "Alumilite" . . . color is added to the surface of Alcoa Aluminum articles of all kinds. . . Brilliant reds, blues, greens and other colors are obtainable, and these are virtually part of the metal itself. Alumilited finishes are many times as resistant to abrasion as enamel and other common metal finishes . . . resistant to oil, food stains and finger markings. Articles produced from sheets, sand, permanent mold and die castings, drop forgings and extrusion presses . . . may be Alumilited.



Designed in Aluminum..It weighs 37..instead of 85 lbs.



This Wheelbarrow now holds 4 to 5 cu. ft. of sand. Re-designed in Aluminum, the Concrete Cart, in the foreground, now weighs 85, instead of 225 lbs. At 50 trips per day the new Cart increases pay load 7000 lbs. Being Alcoa Aluminum, both Containers are corrosion resistant . . . non-toxic. Now used in Building Industry . . . should also be used in Chemical and Food Industries.



ALCOA ALUMINUM

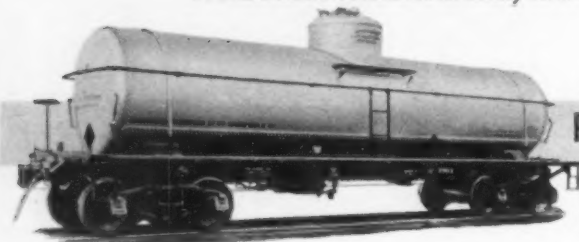


Eagle 11½ ft. High...5½ ft. Beak to Tail...weighs only 998 lbs.

A pair of these Eagles, cast in Alcoa Aluminum, perch atop the U. S. Court House and Post Office in Hartford, Conn. High above the pavements these birds must defy the attacks of rain, hail, snow and city smoke . . . that's reason enough to cast them of Alcoa Aluminum. Furthermore, they are only ¼ the weight that they would have been if made of old-fashioned metal. Base plates, cast integrally with the eagles, provide stability and facility for mounting.

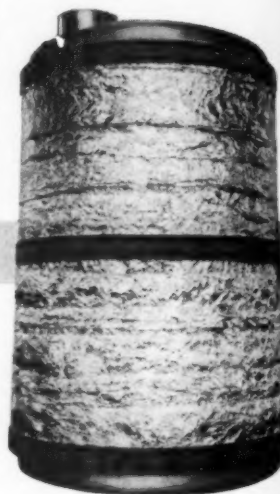
Re-Designed . . . It Widens the Record-making Zone

Made of Alcoa Aluminum, this new Tablet Register is so light . . . 2½ lbs. . . that it can be carried and used in the shop, on the truck, in the storeroom, at the car. It's made of Alcoa Aluminum sheet . . . spot welded at the seams and the joints . . . and handles almost as easily as a writing tablet.



Re-Designed . . . It Keeps Peroxide Pure

Keeping Peroxide pure and undefiled in transit is a job that Alcoa Aluminum . . . and no other metal . . . can do as economically. The entire tank, including rivets, is made of a strong Alcoa Aluminum alloy . . . holds 8000 gals. and is 8000 lbs. lighter than an ordinary steel tank of the same capacity which couldn't be used anyway unless it were glass lined.



It's a Milk Tank . . . Insulated with Aluminum Foil

. . . You might mistake it for a Locomotive Boiler . . . which wouldn't be such a bad mistake because they too are insulated with Aluminum Foil in the same manner. So are household refrigerators. Why? Well, briefly, 1 cu. ft. of Alcoa Aluminum Foil as used for insulation weighs 3 ozs. . . cork 10 lbs. . . and the Foil's better. Easy to install . . . can be used from below Zero to 1000°F . . . unaffected by moisture or atmospheric conditions.



Aluminum Mine Cage . . . 40% lighter . . . lots safer too

To be exact, this Cage, made of Alcoa Aluminum, is 1204 lbs. lighter than a similar steel one. Wouldn't you feel safer at 1600 feet underground to know there was 1204 lbs. less cage weight? See that picture of the mine skip? It's made in Alcoa Aluminum and has 5 cubic feet more space. It is also 1680 lbs. lighter than the old-fashioned steel skip . . . and, of course, it increases pay load that much. To these advantages are added longer cable life, less power consumption, greater speed on return trip.



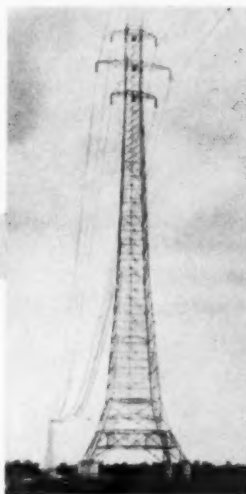
All the alloys of Alcoa Aluminum weigh only ¼ as much, yet some have equal tensile strength with structural steel. Weight for weight, they have the highest electrical efficiency of any metal commonly used. They defy corrosion. They conduct heat many times faster than many other metals. Cost is low compared to other metals not



ALCOA

When writing to ALUMINUM COMPANY

Now "Time's" Hands Will neither Rust nor Vibrate



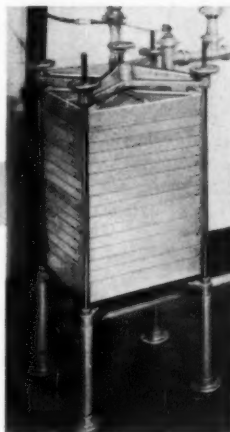
... and is Father Time grateful? And that's not all he gains from Alcoa Aluminum. Its light weight means that his huge hour and minute hands can be erected with less counter balancing to throw its load on the clock's central shaft. These clock hands are made of 14 gauge Alcoa Aluminum Sheet, welded and bolted to a framework of 1" x 1" x 1/8" aluminum angles... faced with glass, behind which is a row of electric light bulbs.



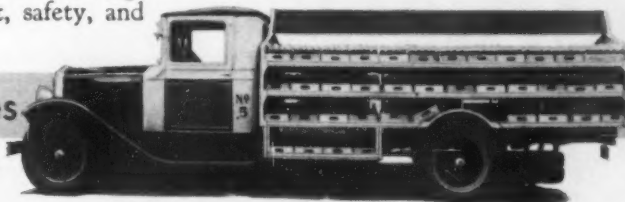
4300-foot Mississippi River Crossing... with A.C.S.R.

This is a double circuit span of 307,500 c. m. aluminum cable steel reinforced, built by Arkansas Power & Light Company and Memphis Power & Light Company. Designed to insure safety and to provide a clearance of 75 feet above river surface in super-flood conditions. Towers are 435 feet high. Cable of Alcoa Aluminum, of course... it alone brings the combination of light weight, safety, and economy.

Re-Designed... Carries 25 More Cases



Made of Alcoa Aluminum, this Bottlers Truck Body is immune to rust even though the bottles may be trucked when wet... which of course is almost unavoidable. Decks are of corrugated sheet... deck posts set in to adjust stresses. The re-design in Aluminum stepped up the load from 126 to 151 cases at no increase in total weight on wheels.

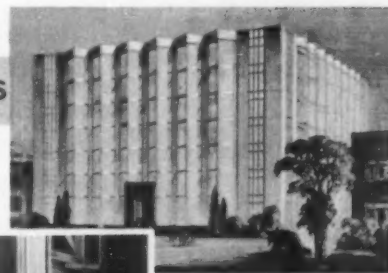


Re-Designed... It Conducts Heat Quickly

This Plate Heater is made entirely of Alcoa Aluminum Castings. Results... high heat conductivity and light weight which mean handling with minimum effort... plates retain polish and are easily cleaned... metal is safe to use with milk and milk products... entire heater is cheaper, made of Alcoa Aluminum, than if made of any other metal suitable for handling milk. And there is no need for replating or recoating.

Facade... of Alcoa Aluminum Extruded Shapes

More than 150,000 lbs. of Alcoa Aluminum are used on the facade of this 7 story Building... used for exterior interlocking mullion assembly, cornice, flashings, louvres, copings and plinth blocks as well as windows. Pilasters and other ornamentations are fabricated entirely of extruded Alcoa Aluminum sections. Inset picture shows extruded aluminum window and mullion construction and erection method.



possessing their specific advantages. Quick deliveries from warehouse stocks in principal cities. Ask for name of your nearest distributor. For information on how to use, form or handle Alcoa Aluminum in any way, write us. Address ALUMINUM COMPANY of AMERICA; 2425C Oliver Building, PITTSBURGH, PENNSYLVANIA.

ALUMINUM

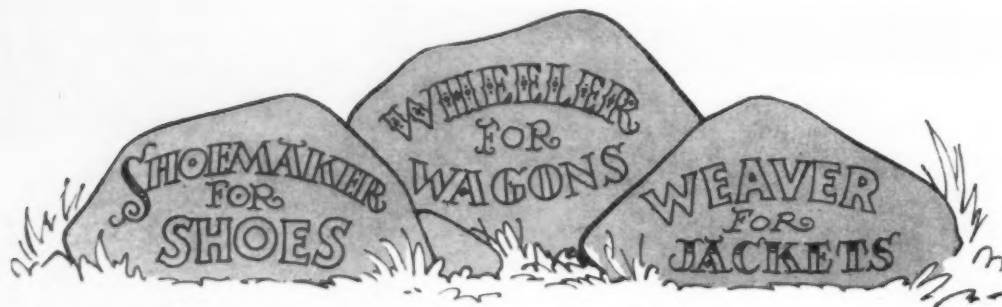


OF AMERICA please mention Nation's Business



There's *No Mystery* about Advertising

ADVERTISING was invented when craftsmen found they could make more shoes or jackets or wagon wheels than their next door neighbors could use.



SUCH simple signs as these on wayside rocks may easily have been the originals of the complicated business that now is all bound around with the red tape of "rationalization processes," "cumulative goodwill," "dealer influence," "consumer acceptance," and "minimum milline rates."

But the principle hasn't changed. The purpose of advertising still is to tell prospective buyers that you have merchandise for sale. Your "advertising problem" is no more complicated than determining who and where your prospects are and how to reach and interest them in profitable numbers.

If you have a product or a service that can be sold to business men, Nation's Business can help. Advertisers who use it have progressed far from the wayside signs that were painted in the hope that a profitable number of passers-by would be prospects, for Nation's Business subscribers are a known quantity . . . definitely identified business men of known standing, known interests and known income.

The influence of Nation's Business is out of all proportion to its circulation. The cost of advertising space is surprisingly low.



WASHINGTON

What the Chamber Has Been Doing

(Continued from page 52)

released by the Trade Association Department's Committee, of which L. J. Dougherty, President and General Manager of the Guaranty Life Insurance Company, is chairman.

One of these, "Industry Planning Through Trade Association," is intended to further the policy of the National Chamber as incorporated in the referendum on Continuity of Business and Employment, December, 1931. That referendum held that "for each field of business a representative trade association should perform the functions of an economic council."

The report, published and distributed by authorization of the Chamber's Board of Directors, makes recommendations which trade associations may consider in promoting industry planning.

The other report, "Business Management Aided by Trade Associations," briefly discusses some of the problems confronting management and the activities of trade associations which aid in their solution. The Committee believes that trade associations are an essential part of business management:

They are necessary to the furtherance of business efficiency and the elimination of economic wastes and unfair competition. The present business situation calls for an aggressive program of cooperation in each field of business.

Two other reports that will come

close home to the individual business or industry are pending. One of them, being prepared by the Chamber's Committee on Bankruptcy—Robert V. Fleming, President, Riggs National Bank, Washington, chairman—will deal with relief plans for distressed individuals and corporations, including railroads, necessitated by reductions in earning power. Members of the Committee are endeavoring to agree on proposals which will remedy defects in the present bankruptcy procedure.

The other pending report is being prepared by the Committee on Working Periods in Industry, P. W. Litchfield, President, Goodyear Tire and Rubber Company, chairman.

Having endorsed the principle of a flexible work week as a temporary expedient for reducing unemployment, the Committee is now studying the problem of permanent adjustments in hours of work.

Special consideration has been given to pending legislative measures which aim to place permanent restrictions on hours of work. Recognizing the desirability of differential treatment of various industries, the Committee is attempting to develop measures which would permit maximum reliance to be placed on the collective action of the enterprises in each industry for the development and maintenance of suitable standards for hours of work and wage levels.

Small Business Has Its Day

(Continued from page 51)

mass production and, even if he can, such machines are not usually good for him. Quality must be his watchword; he must be a craftsman with pride in his workmanship.

Using the soap business as an example again, my product is better than can be made through mass-production methods. My methods are as economical as any save mass-production methods; I can buy on as favorable terms as the biggest soap factory—indeed, I have often bought small lots, which wouldn't interest big business, at less than market price. Now if, even under these circumstances, I tried to compete with big business on a basis of equal or inferior quality, big business could come into my territory and skin me alive.

It has been my observation that independent manufacturers are not suffering a bit more just now than is big business. There are still many of us left, and

while we have taken a lot of punishment we aren't even half-way whipped.

The independent may not have paid any dividends during the past year or two, but he doesn't have a lot of watered stock outstanding. It will require no large increase in sales, either in per cent or dollars, to put him on a paying basis again. His plant is in trim, his force has been kept intact.

When business does revive it is going to be on a low-quantity basis. The manufacturers, large or small, haven't the money for mass production beyond immediate sales. It will be some time before mass-production machines can be operated to capacity and so achieve the low costs they were built to bring about. This low-quantity basis is just the basis on which the independent manufacturer can operate. During the next decade he will work under the most favorable circumstances and the fewest handicaps in many years.

ACME VISIBLE Card Systems



Now, 75% of Her Time
Spent **Using**
the Record
—Only 25% Keeping It

Here are records so easy to keep up that only 25% of a girl's time is required to **KEEP THEM**. Which means 75% of her time is made available to **USE them**—making profits for her employers.

When records are *used*, profits are made. That's why ACME Visible Records are so successful. They are easy to keep up—easy to refer to—and *complete* with information.

Visible Signals

flash warnings on accounts overdue, call for action with customers who stop buying, customers' payments, salesmen's calls, follow-ups, products bought. They instantly call you when anything is wrong.

Sample Acme Forms FREE

Use your present card forms—or select from our library those to your liking; more than 18,000 are classified as to record and industry. Request sample free.

ACME CARD SYSTEM COMPANY

2 So. Michigan Ave., Chicago, Ill.

World's Largest Exclusive Mfrs. of Visible Equipment

MAIL THIS COUPON

ACME CARD SYSTEM COMPANY 3-33-N
2 So. Michigan Ave., Chicago, Ill.

Gentlemen: ☐ Send Booklet on Using Records
☐ Please Mail Sample Forms

Name.....

Address.....

Name of Company..... Title.....



HEAVENS, GEORGE
—AN ACCIDENT?

NO, JUST SPENT A
NIGHT IN A HOTEL
BED...

But not in our hotels...no Sir!

Whether your bedtime is nine p. m. or three a. m., if you're at a Hitz Directed Hotel, softer, more comfortable beds, quieter, airy rooms will assure you a refreshing night's rest. Then, when you awaken, go to one of our fine restaurants for the finest breakfast you've ever tasted.

That's the way to start a day! Yet room and restaurant rates are surprisingly reasonable. No matter how much or how little you wish to pay—you'll get more for your money at these smart hotels. Stop at a Hitz Directed Hotel the next time you're in New York, Detroit or Dayton.

Hotels under direction of **RALPH HITZ**

- **In New York**
HOTEL NEW YORKER
34th Street at Eighth Avenue
2500 Rooms, \$3.50 up
- **In New York**
THE LEXINGTON
Lexington Avenue at 48th Street
805 Rooms, \$3.00 up
- **In Detroit**
THE BOOK-CADILLAC
1200 Rooms, \$3.00 up
- **In Dayton**
THE VAN CLEVE
300 Rooms, \$2.50 up

When writing please mention Nation's Business

Skylines on the Auction Block

(Continued from page 22)

people who lacked their investment sagacity.

Of the ten billion of such bonds issued, one authority estimates that seven billion—including perhaps one billion in Chicago and probably an equal amount in New York—have defaulted. As to their ultimate value, no one rule applies. Each issue is a problem in itself.

Take the securities put out by G. L. Miller and Company, one of the issuing houses that failed. Its bankruptcy occurred in 1926. Reorganization of virtually all of its 137 issues, totaling \$60,000,000, has been completed. A few Miller properties, "put through the mill" in 1927 and 1928, showed cash settlements of more than 90 cents on the dollar. Most of the properties, however, have been liquidated less advantageously for the bondholders, with the total return ranging from 15 per cent to 30 per cent on uncompleted properties, and from 40 per cent to 75 per cent in cash on the completed and better-conceived buildings. Among those familiar with these matters, the Miller reorganizations—devised by the committee headed by George E. Roosevelt of New York—are regarded as one of the most skillful and successful salvage operations ever undertaken. Mr. Roosevelt recently has been selected as chairman of a committee, composed of leading real estate men and financial experts, to handle issues of other real estate bond houses. The holders of these issues, and the properties securing them, are scattered throughout the country.

A heartening contrast with the Miller properties is provided by the experience of a middle western bank. Its bond department originated more than 125 local first mortgage issues and sold them locally. A few of the issues have defaulted interest.

Conservative investments are sound

ASKED if they would turn out satisfactorily, the president advised me, "Yes, with small losses in one or two cases, if the word 'satisfactory' is interpreted to mean 100 per cent return of principal and interest to bondholders, and that is our interpretation."

Continuing, he said:

"With that record of performance, you can understand why the talk about the collapse of real estate and the alleged shortcomings of real estate securities makes me hot under the collar. Name any other investment our customers could have made before 1929, except United States Government bonds, and then compare its present

price and prospects with even our one or two issues which may show a small loss."

As to the factors which produced today's conditions, two conclusions seem tenable. One is that the most demoralizing force has been the drying up of normal demand for building space as a result of the depression. "Huddling" has taken place in offices and warehouses quite as much as in tenements.

A second observation is that the over-optimism which pervaded the whole business world had a tremendous part in setting the realty stage for the subsequent shaking of values. What is now easily condemned as bad judgment probably was regarded five years ago as the ultimate in wisdom. As Melvin A. Traylor, testifying about banking difficulties, last winter told a Senate Committee:

"We must remember that we are looking back, and from this vantage point most of the things that all of us did over a period of five or six years now look foolish."

Liquidation has been difficult

VIEWS differ as to causes, but not as to the situation which resulted. Perhaps the best approach to it is through the current work of bondholders' committees, not only because so many large buildings are in their hands, but also because the liquidation of such buildings has been and is an important factor hanging over the real estate market.

"The situation can be taken in at a glance," remarked a member of the Roosevelt Committee in New York. "A bondholder is only a creditor who has had to step in because of a default. The ideal solution would be to restore his former position of creditor. For some time, however, there has not been enough market for resale to make that possible.

"Failing that, he may liquidate his claim. That means selling the property. As new financing became increasingly difficult, however, the amounts that could be realized on forced sales dropped. Gradually, during the summer and fall of 1932, the point was reached at which it became a nice question whether the bondholders stood to recover more in the long run by immediate liquidation or by holding on and waiting for prices to become more firm.

"Partly because of the absence of market, partly because of unwillingness to accept unjustifiably low prices, bondholders now are holding on to their properties. That raises a whole new train of questions. Several thousand scattered individuals cannot provide

effective ownership and management. And no bondholders' committee wants to take over management with any expectation of permanency."

As a result have come several significant developments. One is the Liquidating Land Trust worked out by a Chicago trust company. It represents a means of taking foreclosed properties off the distress market and managing them until they will bring prices satisfactory to the bondholders, prices which are a fair capitalization of present net income, although less than the cost of reproduction.

The current move to obtain modification of the federal bankruptcy laws is an important angle in the picture, and may lead to greater ease of liquidating defaulted issues. Likewise, there are several possible channels through which the Reconstruction Finance Corporation may be brought in to help in the liquidation or refinancing of presently excessive mortgages.

In some cases, bondholders have preserved or restored a place in the picture for the original owner, giving him a fighting chance to put the property back on its feet and save something of his former equity. Arrangements of this kind usually lead to reinstatement of the bond issue, perhaps with some modification of its terms and interest rate.

Lower interest is helping

THE idea of granting a concession in interest rate, sometimes for periods as long as three or five years, rapidly is being applied. Many mortgage holders—such as life insurance and trust companies—are preferring to cut interest rates rather than foreclose. And that is a healing process.

A similar idea seems to be gaining a foothold in the leasing market. Certainly in the larger cities, leases geared to pre-depression levels—even though they may have years to run—are being reshaped in conformity with existing conditions.

"If you have a good tenant, and know that he cannot make ends meet under what is now an excessive lease rental," the head of a Chicago institution told me, "common sense says to effect a compromise. Which is the better, to redraft the lease at terms the tenant can meet or to force him into bankruptcy? In the one case, you have a reliable tenant and an income; in the other, you have a vacancy and a deficiency judgment which probably is worthless. No sense in that."

In other respects as well, the situation seems to be developing signs of firmness. For several reasons, pressure from stable lending institutions for liquidation or cash curtailment of maturing mortgages is easing. That is due partly to depositors and policyholders of such institutions having relaxed their recent abnor-



Announcing...

a series of advertisements featuring the work of prominent product designers, the first to appear in an early issue of this and other leading business papers.

See Bakelite Corporation Exhibit at Booth 208, 3rd Packaging Exposition, Pennsylvania Hotel, New York. March 7th to 10th, 1933.

YOU, too... can Profit by beauty's irresistible appeal

ADDING BEAUTY of design to utility is paying large dividends to the makers of many products. Whether it is a clock, a refrigerator, or a motor car, attractive appearance has a value that is reflected in increased sales and profits.

Designers who have won recognition in many fields, are now lending their talents to the improvement of product design. Through their skill products of even the most practical kind have been made pleasing to the eye, and far more easy to sell. These creators of beauty in product design are taking full advantage of the new metal alloys, new finishes, and the syn-

thetic plastics, of which Bakelite Materials are the most widely known and used. The three examples illustrated are of Bakelite Molded, two of them with chromium plated fittings.

In designing or redesigning your products consider the sales value of that beauty which only the skilled artist can add. Often he also will so simplify the design that production economies are effected. We invite you to consult us about redesigning products to increase sales, through the use of Bakelite Materials, and to write for Booklets 1M, "Bakelite Molded", and 1L, "Bakelite Laminated."

BAKELITE CORPORATION, 247 Park Ave., New York, N.Y. ... 43 East Ohio Street, Chicago, Ill.
BAKELITE CORPORATION OF CANADA, LIMITED, 163 Dufferin Street, Toronto, Ontario, Canada

BAKELITE

The registered trade marks shown above distinguish materials manufactured by Bakelite Corporation. Under the control "B" is the Bakelite Corporation logo. The registered "B" is the Bakelite Corporation logo. The registered "B" is the Bakelite Corporation logo.

THE MATERIAL OF A THOUSAND USES

When writing to BAKELITE CORPORATION please mention Nation's Business

Cut the cost of protecting your premises/ fire...

even the most conscientious watchman may fail to detect it before it is beyond control. But AERO Automatic Fire Protection detects fire at the outbreak without human aid. The first breath of flame causes an alarm to be flashed to the fire department with lightning speed. AERO watches every nook and corner constantly — during twenty-four hours of every day — it has none of the shortcomings of humans — and it can serve you at a saving.

theft...

burglaries are increasing at a rapid rate. A.D.T. Burglary Protection is positive protection. Burglars stay away from A.D.T. protected premises because they know that armed forces stand ready to close in on them the moment entry is attempted.

Investigate these ever vigilant automatic systems — cut your present costs and immeasurably increase your safety. The coupon will bring descriptive literature — no obligation.



CONTROLLED COMPANIES OF
**AMERICAN DISTRICT
TELEGRAPH COMPANY**
155 SIXTH AVENUE - NEW YORK N.Y.

AMERICAN DISTRICT TELEGRAPH COMPANY
155 Sixth Avenue, New York, N.Y.

Please send me booklets describing A. D. T. Automatic Protection Systems.

Fire Protection ☐ Theft Protection ☐

If your property is automatic sprinkler equipped please check here ☐

Name _____

Address _____

When writing please mention Nation's Business

mal demands for cash, partly to the growing belief that values can be supported at or near present levels.

Newspapers at the turn of the year also reported that banks in some large cities were again seeking new mortgage investments, and were buying them at rates—five per cent in New York—which would give owners a chance to accumulate funds for gradual curtailment of principal amounts which still may be out of line with present values.

Lending institutions generally have been piqued by the gossip that they refused to refinance maturing mortgages and to make new mortgages to assist in the reorganization of defaulted properties.

"That is not true," said the loan executive of one insurance company. "Where a borrower of character showed any reasonable chance of pulling through, it has not been hard to arrange refinancing. But, with values unstable, we have had to pay greater attention than ever before to the character of the borrower. Most of the complaints are from speculative operators who, having defaulted once, are angry because they are denied the chance to default again.

"Bondholders' committees are equally unsure mortgage risks because there is no individual liability involved. Fine people individually, no doubt, but as a group neither competent managers nor permanent owners. In making loans, we have to make them to an individual or a small group of whose intention and ability to repay we can be reasonably sure."

Another factor is especially interesting. However quietly they may try to operate, the bargain hunters for some time have been in the market. If one were to examine the operations of a half dozen companies established under such innocuous names as "Blank Properties, Inc." and "XYZ Management Corporation," he would find that they are merely the lengthened shadows of shrewd individuals who are buying up bonds or distress properties at receiver-ship prices, wiping out liens and acquiring ownership of virtually new buildings. In several cities, one can hear stories about the foundations of future fortunes of the Astor type now being laid by this smart money which is quietly finding its way into choice real estate.

Only indirectly related to this, but interesting in its bearing on the situation as a whole, was the remark of a veteran lease broker.

Modernizing adds to value

"ONE of these fine days," he said, "a lot of people who own income properties are going to find that the procession has passed them. For months, because of declining lease rentals, they have been scared to death. They have let their properties deteriorate. They say their

space is unrented. I only call it unrentable, considering its disrepair and dinginess alongside the much more attractive new stuff now available. When I see owners of vacant buildings filling them at paying rentals, even today, by replacing worn heating and plumbing equipment, installing electrical refrigeration, making extra closets into bathrooms, putting in new elevators, and building new fronts on old buildings, my only pity is for the fellow who is too pig-headed to modernize his property."

In spite of the improved current feeling, every person with whom I talked said that two factors control the final outcome. One, already alluded to, is the general business situation. A mild revival of normal business activities would do more than any emergency measure to stabilize the leasing market.

Taxes must come down

THE other, equally important, is the downward adjustment of realty taxes. Unless there is drastic reduction, they said, the capital values already temporarily impaired by tax confiscation cannot be restored for a generation.

An insight into the possible speed of recovery came from a veteran mortgage banker of Chicago. "You ask what is the outlook," he said. "That is easy to answer, simply by asking, What is the outlook for employment? We believe Chicago is not at all overbuilt; in fact, building stopped here a year or two ahead of most other large cities. The return of employment and reasonably normal business conditions would, it seems to me, fill up available space quite quickly. Particularly is this true of living quarters. Stores and offices probably will be slower; because it will be some time before the lessons in economy in management will have been forgotten."

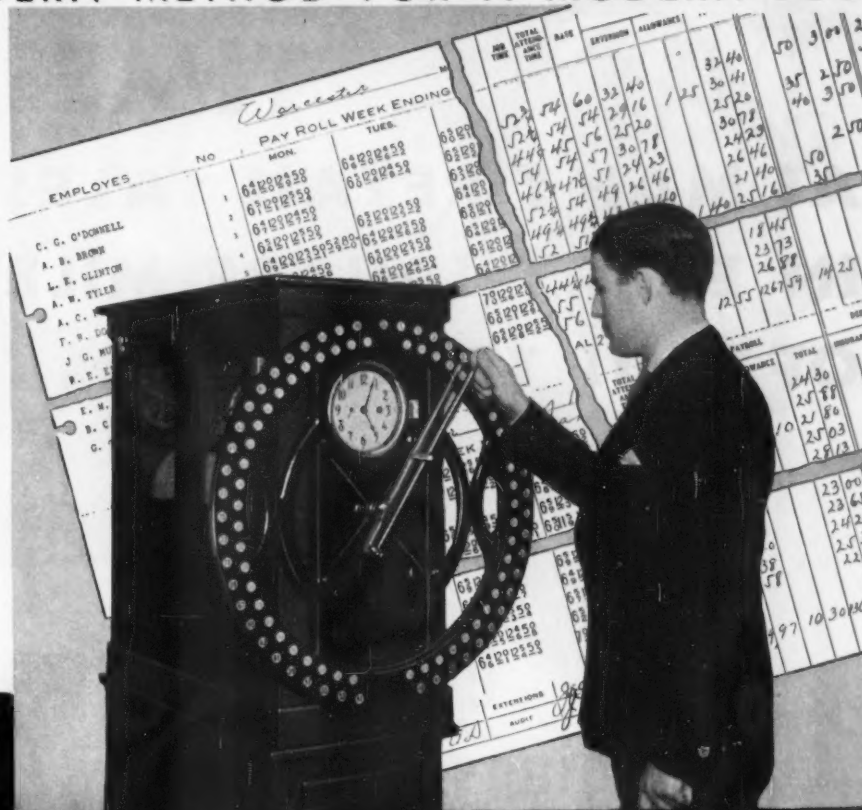
The president of a New York trust company gave me an interesting guess on when the situation would work itself out, and at what probable level of values. Opening a newspaper to an obscure column headed "Lease Transactions," he pointed to this item:

A. Sylvestro, store at — E. 64th St., from Blank Estate, through office of Roe & Co. Five years.

"Today," he said, "that item is more important than all the foreclosures and bond defaults. It means that a man named Sylvestro, who probably runs a delicatessen, is willing to lease a store under present conditions for five years. For that transaction to be made, two parties had to have a meeting of minds on what the use of the Sixty-fourth Street premises now is worth.

"Before we can renew old mortgages or draw new ones, we have to know what the security is worth. Before we can know that, we have to know the net income on which it is based. Before we can know that, we have to know what

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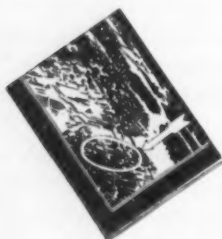
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the use and occupancy of the property will bring in a fair bargain arrived at under today's conditions."

Viewed in terms of what is happening on Sixty-fourth Street, the revaluation of all the real estate and the refinancing of all the mortgages drawn under former conditions are not as bewildering as they sometimes seem.

"Don't ask me," the president concluded, "what real estate will turn out to be worth once enough such transactions have been made to demonstrate a stable level of values. Ask the Sylvestros and the Blank Estates. They will fix the values—every day are fixing them—and Wall Street, all the life insurance companies, all the savings banks, and all the politicians in Washington cannot stop them. The only enduring tragedy would be if the latter should try to. Incidentally, you probably have noticed that the daily column of Sylvestro items is growing longer."



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Things Talked about in Wall Street

By a Staff Correspondent of NATION'S BUSINESS

★ **NEW YORK, FEBRUARY 10** THOSE who look to the stock market to point the way to a revival of business, found little encouraging in the first six weeks of the new year. It was pretty nearly a "stand-still" market.

The New York Times' figures showed that in January 240 of the active issues moved up \$100,000,000 in value, the smallest change in months.

The early days of February offset all or most of this.

Dividend cuts in United States Steel preferred and Standard Oil of New Jersey are not inspiring.

What chance for inflation?

THE banking community is uneasy about inflation.

Bankers have been asking their Washington correspondents, and have been sending their own officers to Washington to ask of others: "How real is the danger of inflation?"

The answers from Washington are about the same:

"There is no real danger of action at this, the lame duck session." (That session will be over about the time this is printed, but I am writing early in February.)

"There is possibility, but I think a lessening possibility, of inflation in the first session, whether it be extra or regular, of the new Congress. That possibility may be weakened or strengthened by whether plans are proposed or made to help the debtor class."

Gold and inflation

WHEN talk turns on inflation one question constantly bobs up:

"If inflation took the form of going off the gold standard, or of altering the gold content of the dollar, what would happen to the great amount of indebtedness which is directly made payable in gold of 'current weight and fineness' or some similar phrase?"

In addition to the public issues, most utility and industrial bonds and a great part of the mortgage indebtedness of the country is payable, principal and interest, in gold of existing standard. A banker told me the other day that the general counsel of one large institution

was asked his opinion and in effect he said:

"So far as law and precedent go, such payments would have to be made on a gold basis. If we were ever faced with such a state of affairs some way around would have to be found."

One opinion was hazarded that courts might hold that since Congress has the power to "coin money, regulate the value thereof and of foreign coin," it might be decided that any contract for payment in a particular form or value of money would have to give way to fresh legislation.

There is no doubt, however, that leaving the gold standard would involve us in some tremendous tangles.

One estimate is that there are 90 billions of outstanding indebtedness in this country payable in gold at five per cent. That would mean $4\frac{1}{2}$ billions of interest payable in gold, which isn't far from the total of gold in the United States.

Too much money

"POVERTY in a world of plenty" has been the theme of thousands of speeches in the past two or three years. Now we're talking of the need of more money (inflation) when the banks in New York are troubled with too much money.

The Bowery Savings Bank, largest of mutual savings banks, has limited new accounts to \$2,000 although the law permits them to take more. Moreover, they are questioning the nature of new accounts and turning the cold shoulder to those not genuinely savings. This in the face of a reduction in the rate of interests on deposits.

The commercial banks have reduced the rate on demand deposits to one fourth of one per cent, and on time deposits to one half of one per cent.

Nevertheless their deposits grow. On January 28 the 21 banks in the clearing house had nearly a billion more than on January 30, 1932.

Inflationists are divided

WALL Street feels that the defense against inflation lies chiefly in the way in which the proponents of inflation are divided amongst themselves. There is

a silver group, with almost as many proposals as there are members, a straight greenback group, a group who propose reducing the gold content of the dollar—and so on. [See the Kiplinger letter on page 17 of this issue for further details.—Editor.]

Competition in cheap money

THE suggestion that seems to cause the most uneasiness among bankers is the one to alter the gold content of the dollar. That, bankers feel, would lead to very grave evils. Nor are the bankers sure that currency expansion or inflation would help to raise commodity prices.

"If we go near the edge or off the gold standard," said a banker with whom I talked the other day, "are we not going to find ourselves in a trade and price war with the depreciated currency countries and a resulting drop rather than a rise in prices?"

Help for debtors and creditors

SOME relief might come from the emergency bankruptcy regulation that is pressed on Congress by the President and which may be passed before this is read.

Certainly the burden of both corporate and private indebtedness is being felt in this country and the cry for relief is going to be louder.

The corporation which owes \$1,000,000 in the shape of bonds on real estate and buildings whose value is uncertain doesn't like the word or the idea of repudiation but what if the alternative of cutting down principal or interest rate or both is bankruptcy, forced liquidation and sale?

Aren't both bondholders and corporation going to be willing to listen to a composition that may save a part for everybody?

A long, winding road

ONE rash individual—a banker, too—made this suggestion:

"Suppose we could make a lump sum settlement of our debts from Europe and suppose the debtor countries, some or all, could float bonds to settle that lump sum, couldn't the proceeds then

It was true then,
and it's true now In 1929 it was said:

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be used as a sort of mortgage pool for the relief of the farm borrower?"

To which the answer was "Too much 'supposing' in that plan and too long a road to travel before the relief would be available."

No more conservatives

IT is typical of these disturbed times that even the most conservative business men are not horrified at, and are ready to discuss, proposals which would have shocked them to the center two years ago.

A business world which has seen a government agency, the Reconstruction Finance Corporation, lending hundreds of millions to keep corporations on their feet is hardened to the unusual.

Stocks through three years

A GLANCE at the *Wall Street Journal's* compilation of market value of stocks quoted on the big Exchange gives a graphic picture of "the Rise and Fall of the Wall Street Empire." On the first of September, 1929, the 1,280 stocks listed on the Exchange had a market value of \$89,668,000,000 and had gone up nine per cent that month.

On the first of December, 1932, the 1,242 listed stocks had a market value of \$22,250,000,000.

Humpty Dumpty had a great fall. And can all the King's horses and all the King's men put him together again? There's a task ahead of our business and political statesmen. However, no one wants a repetition of 1929.

It's worth noting that the market value of listed bonds between those dates only fell from \$46,750,000,000 to \$38,100,000,000.

What do indices show?

HOW good are our widely current indices of current business? Some of them put business at 50 per cent or even less of "normal," once you've agreed what "normal" is. Many experts are inclined to think that figure is too low. Here's the argument:

"Most of our available and up-to-date business figures are concerned too much with heavy industries, iron and steel, automobile production, construction. Such things sag, of course, in depression, and sag faster and more deeply than such everyday business as baking and selling bread. I think that our business indices exaggerate rather than understate!"

Budgeting for 1933

A MID-WESTERN manufacturer said to me:

"We lost some money in 1932. When we came to making up our budget for 1933 we didn't dare put our gross sales

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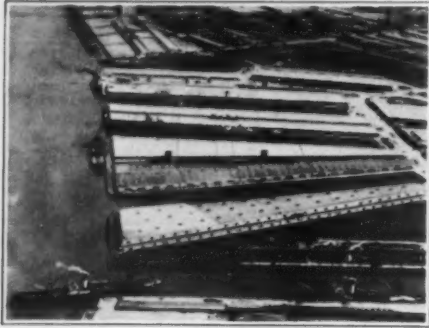
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EXECUTIVES:

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Gentlemen: Please enter my name (without obligation) for a free subscription to "Shippers' Digest," giving sailing schedules, etc.

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at more than 80 per cent of the sales of 1932. If we go to that level we shall again lose money. But—and that 'but' is about the biggest thing in our business—if we can this year do as large a volume of business as we did in 1932 we shall make money. And, what's more, we are hopeful of at least equaling 1932."

Working on the present basis

I RELAYED that remark to a banker with wide experience in industrial management. He said:

"That represents a very common and very helpful state of mind. Business is facing realities more than ever. It's getting conscious that a primary concern of business is to make a profit out of what it has at hand.

"The more business looks at what is around, the less it looks backward, the better."

Old members of the Exchange

THE Stock Exchange might give a birthday or a golden wedding party to John D. Rockefeller this month, for he has been a member since March 15, 1883, just a half century.

But he isn't the oldest. M. C. Bouvier, of M. C. Bouvier & Co., joined the Exchange on June 25, 1869; W. B. Wadsworth, of Wadsworth & Wright, has been a member since May 3, 1869.

Midwest reasons for inflation

THE unease over inflation in Wall Street is added to by reports that come out of the midwest and by visits from men who profess to know what the midwest is thinking.

An Iowa farm leader has this to say:

People here in the East just don't get the situation that is creating the increasingly insistent demand for inflation on the part of farmers and others living west of the Mississippi.

Ninety-nine out of a hundred of us out there are favoring inflation, or in other words, more actual coins and bills.

In a great many sections through the West the banking system and all confidence in banks have absolutely broken down. Many communities, rural ones especially, have no banks at all.

We are doing no business except on a strictly cash basis.

When we take a load of hogs to market in our section we demand cash for them. We won't take a check. The hard money has to be laid on the line. We take that money and carry it in our pockets or hide it some place on the farm.

Credit in all its forms has been greatly curtailed or has been eliminated altogether in sections of the West.

As a result, with everybody demanding the actual coin and, having once gotten it, holding on to it, a scarcity of money has arisen.

What we want out there is an increase

in the physical amount of money. Inflation seems to offer a way to get it.

Saving despite the depression

HOW to beat the depression has been a problem of peculiar acuteness to many people who have of necessity depended very largely upon the income from their stocks and bonds.

This is how one investor came out ahead.

Early in 1932 he sold all of his stocks and put the money in the bank. He sold his second-grade bonds in the fall of last year. He put the proceeds in a depository and withdrew for his own use from his funds at the rate of six per cent per annum. His capital shrunk about four per cent.

If he had held all of his securities it would have shrunk about 40 per cent. He is 36 per cent ahead of the game and ready to buy when the times seem right.

If the market had gone up he would not be patting himself on the back so vigorously.

Betting on better business

THAT Leonor F. Loree, grizzled railroad veteran, follows the old adage to "sell 'em when they're dear and buy 'em when they're cheap" is the almost unanimous view of speculative Wall Street.

When the boom was at its highest, Loree sold the Pennsylvania Railroad a bunch of Wabash and Lehigh Valley stock for \$63,000,000. The stock cost him \$40,000,000; result, a tidy profit of \$23,000,000.

Now Loree tells the world that he has purchased 500,000 shares of New York Central for about \$10,000,000. At the top of the boom the stock would have cost him \$143,000,000. Said Loree: "By late summer, when the crops begin to come in and the seasonal upward trend starts we will begin to climb the hill to better times," and he is venturing the small sum of \$10,000,000 on the accuracy of his forecast.

That's practical.

Interest continues lower

THE Chase and City Banks, America's two largest banking institutions, have reduced interest rates on "compound interest division"—savings—from three to two per cent, thus inaugurating what will probably be a nation-wide move in this direction. When the banks get one per cent or less for the small part of their deposits they are actually lending, the savings depositor must eventually take his cut.

On the whole, the move in favor of lower interest rates on real estate mortgages is believed to be helpful and constructive.